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DEPARTMENT OF THE INTERIOR AND RELATED
AGENCIES APPROPRIATIONS FOR 2002

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS
FIRST SESSION

SUBCOMMITTEE ON THE DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES

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DEPARTMENT OF INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR 2002

Thursday, March 29, 2001.

OVERVIEW OF ENERGY INFORMATION ADMINISTRATION 20-YEAR FORECAST

WITNESS

MARY J. HUTZLER, DIRECTOR, OFFICE OF INTEGRATED ANALYSIS AND
FORECASTING, ENERGY INFORMATION ADMINISTRATION, DEPARTMENT OF
ENERGY

NATIONAL ENERGY STRATEGY

WITNESSES

HON. HENSON MOORE, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN
FOREST AND PAPER PRODUCTS ASSOCIATION

HON. PHILIP SHARP, JFK SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY
RED CAVANEY, CHIEF EXECUTIVE OFFICER, AMERICAN PETROLEUM INSTITUTE

Opening Statement of Chairman Skeen

Mr. Skeen. The subcommittee will come to order.

We are here today to talk about a very timely subject, that is, the need for a National Energy Strategy. We have assembled a distinguished group of witnesses to help us.

What I hope to achieve is an understanding of why past strategies have been less than successful, what our energy policy should look like, and what the appropriate role of the Federal Government should be.

Let me say at the outset that we are not here to pit traditional fuels such as oil, coal and natural gas against alternative or renewable fuels such as biomass, solar and wind power. We need them all. We need to focus on how to use traditional fuels more efficiently and how to reduce emissions from those fuels while we continue to explore alternative and renewable technology.

We can't shy away from supply issues, either. Conservation will help, but it will not halt the ever-increasing demand for energy in this country and worldwide. We need continued adequate supplies of traditional fuels, and we need a realistic assessment of when new technologies such as fuel cells and hybrids will be available and economically feasible.

We also need realistic expectations of how quickly and how much new technologies will penetrate the market. You can't use natural gas technology in an area where there are no transmission pipelines. You can't use wind energy where there isn't sufficient wind or sufficient land base to site wind farms.

You can't use solar power in mostly cloudy climates, and you can't assume that when alternatively fuel cars come on the market, a large number of the general public will buy them. I also want to state that what the President and the Congress does or does not do impacts the lives of real people.

On Monday, Phelps Dodge, a major mining company, announced the layoff of 85 workers in the Silver City, New Mexico area and indicated that further cutbacks may be coming if this energy crisis is not resolved. Just two years ago, I was hearing from mayors, school superintendents and business leaders in communities in my oil patch county about layoffs,

lost tax revenues and bankruptcies due to rock bottom oil and gas prices.

These people do not want endless battles between industry and environmentalists with meaningless sound bites and rhetoric. What they want and deserve is a balanced national energy policy.

Let me turn to Mr. Dicks and Mr. Regula, Chairman Emeritus, for some brief opening remarks. Then let's hear from the very distinguished panelists that we have assembled here today, and thank you for coming and making this thing really pertinent.

Opening Statement of Mr. Dicks

Mr. Dicks. Thank you, Mr. Chairman. Thank you for putting together this panel to begin the Subcommittee's review of our national energy situation. As you've indicated, this is not a traditional hearing on the President's fiscal year 2002 energy budget, since the details of his request have not yet been submitted to the Congress. Neither is it a hearing on President Bush's National Energy Strategy, since this is still being developed by Vice President Cheney and his commission.

In fact, it is important for the members of the Subcommittee and the audience to understand that none of our witnesses this morning is here to represent the Administration on policy matters. That will come on May 3rd, when the new Secretary testifies.

The hearing is important, however, as it gives us a chance to look at the current energy crisis in this country. This includes electricity blackouts and price spikes in the west, as well as the impact of recent OPEC decisions on gasoline prices. It also gives us a chance before the hearing, with the Administration, to talk with experts who can put the current situation in historic perspective and give us their advice on how this country should be setting its energy agenda for the future.

First, Ms. Hutzler, from the Energy Information Administration, can brief us on the most current short and long term forecasts for energy supply, demand and price, and the factors which influence this forecast. Second, I hope our private sector panel will give us their candid advice of what the Congress should and should not do to make the future energy picture a more positive one. These witnesses represent very different points of view and experience.

Two are former members of the House, Henson Moore from Louisiana, Phil Sharp from Indiana. They each have extensive experience from energy policy debates of the past. Phil is currently at Harvard, and continues his thoughtful analysis of energy policy which he began during his years in the House. Henson brings to the table his experience within the Department of Energy during the previous Bush Administration, and now represents the forest and paper products industry, a key consumer of energy within our economy, and a leader in innovative approaches to energy production and conservation.

Mr. Cavaney, for the American Petroleum Institute, represents the major producers of energy. Each of our panelists is known to have strongly held and in some cases divergent views. I expect that I will support many of their positions but

disagree with others. Nonetheless, I want to hear them all.

In reading the opening statements, Mr. Chairman, I think one of the questions which members want to ask our panel is whether this country is in an energy crisis, which I'm anxious to hear the view of the witnesses. I want to tell you right now that there is an energy crisis on the west coast, and not just in California, the entire west coast, in fact, a large part of the west. Rolling blackouts and power bills that have doubled or in some instances tripled on the west coast are a crisis and threaten every citizen and every business.

Now we are told that we may be facing further large increases in gasoline prices and supply shortages that will affect every family and every individual. It will hit particularly hard in the west. That is not a debatable question in the State of Washington. We are in a crisis in my State. What we don't know is how long it will last and how much worse it will get this summer.

Unfortunately, we have a drought in the west at the same time, so we cannot take maximum use of our hydroelectric system, which has made this situation kind of the perfect storm of energy problems.

We need to talk through these questions of a National Energy Strategy, but talk is not enough. I hope this Congress and this Committee will act aggressively to make sure that this country finally realizes the energy security and energy independence that we have been talking about for the last 30 years.

I look forward to our witnesses' statements and to working with our Committee proactively to solve these problems. And I must say, one of the conclusions that I've reached is that the Federal Energy Regulatory Commission is not doing its job at the current time, and that this has exacerbated the problem in the electric energy arena in the west. I think when the story is written about this, FERC is not going to get very high marks from anyone in terms of the role they've played in dealing with wholesale prices for electricity.

Thank you, Mr. Chairman.

Mr. Skeen. Mr. Regula.

Opening Statement of Mr. Regula

Mr. Regula. I thank you, Mr. Chairman, and I'm pleased to see our witnesses. I might say, Mr. Dicks, that I think Congress has a substantial role to share in the responsibility for this energy crisis, along with FERC. We haven't exactly faced up to what we all knew was coming. I'd like permission to make my full statement a part of the record.

Mr. Skeen. Without objection.

[The written statement of Mr. Regula follows:]

[GRAPHIC] [TIFF OMITTED] T1708A.001

[GRAPHIC] [TIFF OMITTED] T1708A.002

[GRAPHIC] [TIFF OMITTED] T1708A.003

Mr. Regula. We keep hearing about alternate fuels, and yet today, 85 percent of our energy comes from traditional fuels:

coal, oil and natural gas. And I think some of our activities have made it difficult to extract these. Alternative and renewable fuels are only 7 percent of our total energy use. So I think that in the foreseeable future, we're going to see the continued use of the traditional fuels, the mineral fuels, and therefore we should, with proper environmental controls, make it attractive to extract these fuels.

Gasoline consumption, even in spite of all the efforts to reduce miles per gallon, and we've had some success there, it's still 4 times what it was 50 years ago and it's probably going to get worse. Anybody that drives the highways is pretty well convinced that gasoline is going to be a problem, and anybody in business that uses fuel has discovered their fuel costs have really escalated.

And in the world at large, 2 billion people, a third of the world's population, is presently without electric power. So it's an enormous market for the equipment that we build as well as the technology of clean coal. We've been on a program of clean coal and we've had some successes in developing technology. I think we need to do a lot more.

Another area of technology that needs a lot of work is extraction. For every barrel we get out, we leave two in the ground. It seems to me that we need to improve that technology and capture more of the resources. We need to again, as I mentioned, work on the coal. While people think we will get away from the use of coal, I think given the fact that we have such an enormous reserve of coal in this Nation, probably in terms of BTUs more than all the world's oil, that we need to continue our efforts to develop technology.

I was struck when I visited the Florida Power Plant, it was a greenfield plant, but they were getting everything but the squeal out of that ton of coal, and were doing it in a very environmentally safe way. They ended up with sulfur, which they were selling, they said they could use any type of coal and still reduce their emissions almost to zero.

And of course, Ms. Hutzler, you're going to give us the prediction for the next 20 years, am I correct? You have a remarkable vision, I will say that, if you can tell us that. It would be interesting to go back 20 years ago and see what the predictions were in light of today's world that we live in. But it should be a very interesting hearing, and Mr. Chairman, I think it's a great panel you've put together here, and it will be instructive to all of us. Thank you.

Mr. Skeen. Thank you. Thank you for being here.

Ms. Hutzler, we'll start off with you, because in my part of the country, when you want a job done right, you get a woman to do it, then get the last word. Yes, ma'am. [Laughter.]

You're on your own now.

Opening Statement of Ms. Hutzler

Ms. Hutzler. Thank you, Mr. Chairman.

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss the current energy trend in the United States. The Energy Information Administration is an autonomous statistical and analytical agency within the Department of Energy. We are

charged with providing objective, timely and relevant data analyses and projections for the use of the Department of Energy, other Government agencies, the U.S. Congress and the public.

The projections in this testimony are from the short term energy outlook released this month, in March, and the annual energy outlook 2001, which we published in December 2000. The short term energy outlook provides quarterly energy productions through 2002 on a national basis, and the annual energy outlook provides annual energy projections through 2020 on both a national and a regional basis. Our long term projections are based on technological and demographic trends, current laws and regulations and consumer behavior.

THE ENERGY OUTLOOK TO 2002

Energy markets in the United States today are characterized by high prices for both petroleum and natural gas, due in large part to tight supplies of both fuels. Reductions in oil production by OPEC and several non-OPEC petroleum exporting nations have contributed to low stocks, as this chart depicts, for the industrialized nation. And as you can see, we're projecting that stocks are going to stay below the normal range. The shaded part on that graph is the normal range.

[The information follows:]

[GRAPHIC] [TIFF OMITTED] T1708A.004

Ms. Hutzler. Tight natural gas supplies are also contributing to high electricity prices in California, along with high electricity demand relative to capacity, high generation outage rates, transmission bottlenecks and low hydroelectric resources. At its March 17, 2001 meeting, OPEC members agreed to reduce production quotas an additional 1 million barrels per day, effective April 1st, 2001. This follows an earlier production quota of 1.5 million barrels a day announced in January that was effective February 1st.

CRUDE OIL

Prior to the March 17th, meeting, the average imported price of oil was projected to fall slightly from its 2000 value of \$27.70 per barrel. Based on these imported crude prices, we project an average price for motor gasoline this summer of \$1.47 a gallon.

The new production cuts by OPEC will be incorporated in our next short term energy outlook, which we will release on April 6th, and will also have other updated information on stocks and demands as well.

HEATING OIL

The heating season of October through March is nearly over, so retail heating oil prices have seen their seasonal peak. Warm spells in January and February and declining crude oil prices in December and January helped to ease heating oil prices, which had been declining from their winter peak of \$1.41 cents per gallon in December. Nevertheless, heating oil

prices remain high compared to history.

NATURAL GAS

Natural gas prices began increasing in the summer of 2000, primarily due to high demand and low levels of natural gas storage. And that's what this chart depicts.

[The information follows:]

[GRAPHIC] [TIFF OMITTED] T1708A.005

Ms. Hutzler. The grayish areas on that chart are the normal levels, and then you can see our projections show that we're going to be close to the bottom and actually in some places, I think maybe right at the edge of the normal levels.

As shown on the next chart since late June, spot prices increased more than \$4 per 1,000 cubic feet.

[The information follows:]

[GRAPHIC] [TIFF OMITTED] T1708A.006

Ms. Hutzler. The wellhead price of natural gas is currently estimated to have more than doubled this heating season from the previous season's price. When the heating season ends, average wellhead prices are projected to decline averaging just over \$4 per 1,000 cubic feet for the spring and the summer.

Due to the projected high levels of demand growth for natural gas, particularly for electricity generation, the average wellhead price is projected to be about \$4.70 per 1,000 cubic feet in 2001, compared to an annual average of about \$3.60 per 1,000 cubic feet in 2000.

ELECTRICITY

Electricity demand is expected to grow at a rate of about 2.2 percent in 2001 and 2002, compared to an estimated growth rate of 3.6 percent between 1999 and 2000. Slower growth is expected in part due to slower economic growth. Electricity demand for this past winter is expected to be higher than the previous winter, due to higher residential and commercial demand, and the cold temperatures in November and December.

ENERGY CONSUMPTION BY FUEL

Today, petroleum, natural gas and coal make up about 85 percent of the total energy consumed in the United States. We project that these fossil fuels will increase their share slightly over the next 20 years as the chart shows.

[The information follows:]

[GRAPHIC] [TIFF OMITTED] T1708A.007

Ms. Hutzler. Petroleum represents 40 percent of today's consumption. You can see it's the major fuel in terms of energy consumption in this chart. It's mainly used for transportation fuels and in the industrial sector, petrochemical feedstocks, plastic, and asphalt, areas where little substitution potential exists.

Coal represents about a quarter of our consumption, and 90 percent is used for electricity generation. We're expecting a

45 percent increase in electricity generation over the next 20 years, as all sectors increase their demand for electricity. While the largest portion of the additional generation is expected to come from natural gas, coal is expected to provide 44 percent of total generation in 2020, a decrease from its current share of 52 percent. Natural gas consumption for electricity is expected to triple between now and 2020, resulting in a 62 percent increase in its total consumption.

ENERGY PRODUCTION BY FUEL

The next chart I'm going to show you is on the domestic supply of fuels.

[The information follows:]

[GRAPHIC] [TIFF OMITTED] T1708A.008

Ms. Hutzler. As you can see on this chart, coal is our Nation's most abundant fossil fuel, providing 31 percent of our current domestic production. We expect domestic natural gas production to surpass coal by 2015, increasing its share of production from 23 percent today to 35 percent by 2020.

Our domestic petroleum supply is expected to remain roughly flat for the next 20 years, resulting from decreasing domestic crude production and increasing production from natural gas plant liquids and refinery gains. However, because of our increasing demand for petroleum, net imports will increase from its 52 percent share today to 64 percent in 2020.

The United States is and will remain one of the top oil producers in the world. We are third in the world behind Saudi Arabia and Russia. However, while we will be a significant oil producer, our consumption will be outstripping our production.

ELECTRICITY GENERATION CAPACITY

My final chart highlights our regional projections for electricity capacity additions.

[The information follows:]

[GRAPHIC] [TIFF OMITTED] T1708A.009

Ms. Hutzler. Our forecast calls for 413 gigawatts of additional capacity needed by 2020, which is almost 1,400 300 megawatt units. It is needed to meet our projected 1.8 percent annual growth in electricity demand, and projected capacity retirements about 9 percent of our current capacity. You can see that we are forecasting the need for large increases in capacity additions in the southeast, Texas, California and parts of the midwest.

I would like to thank you, Mr. Chairman, and members of the Subcommittee, and I'd be happy to answer any questions that you have.

[The written statement of Ms. Hutzler follows:]

[GRAPHIC] [TIFF OMITTED] T1708A.010

[GRAPHIC] [TIFF OMITTED] T1708A.011

[GRAPHIC] [TIFF OMITTED] T1708A.012

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[GRAPHIC] [TIFF OMITTED] T1708A.031

[GRAPHIC] [TIFF OMITTED] T1708A.032

Mr. Skeen. Thank you.

Next we will hear from Henson Moore, a former member of Congress and a former Deputy Secretary of Energy. Welcome back, Kotter. [Laughter.]

Opening Statement of Mr. Moore

Mr. Moore. Thank you, Mr. Chairman.

I'd like to ask that the testimony I submitted be part of the record, and to the nervousness of my institution, there are people here watching me, I am going to deviate substantially from that testimony.

Really, my comments today are not those of my industry. They're going to be those of mine from having been in public service, as you indicated, Mr. Chairman, involved in energy and looking back over where we are now and where we were when I last worked on it. Maybe there are a few observations I can

make that might be of some help to the Committee.

ENERGY POLICY

The first one is that energy is a chronic and a complex problem. We haven't solved it, it's still here, it's going to get worse. And it's not simple.

I would urge the Administration and the Congress and Department of Energy not to spend an awful lot of time on developing a new energy policy. That's been done time and time again. The last time we did it was 1991-1992, we spent four years developing this. We had every national laboratory spend four years working on it, and developing all the facts and information behind it.

And the issue is not what should you do. It is what can you do. So the question is not what you ought to do to deal with energy, there are no great mysteries to uncover, there are no quick fixes, there are no silver bullets. There's no way to avoid controversy. All the easy stuff's been done. And there's no way to avoid the valid concerns of the environment.

Simply, the question is, what can you do to build political consensus to solve the problem. Basically, the last time we tackled this was the Energy Policy Act of 1992, which the gentleman on my right had a great deal to do with as then-chairman of the Appropriations Subcommittee of the Energy and Commerce Committee. The question now is, what more can this Congress do to be able to address the questions from where we left off the last time we visited it in 1992.

ENERGY SUPPLIES

In my humble opinion, there's no way to maintain the high standard of living of the American people, there's no way to maintain and have an expanding economy without adequate energy supplies. And if you talk about adding less energy, you're talking about a lower standard of living or less of an economy. It's just that simple.

In my humble opinion, you need more of it all. You need more production of all we use now, you need more delivery systems of all we use now. You need more conservation of what we're using now, and you need more alternative sources of fuels.

ELEVEN ISSUES TO CONSIDER IN A NATIONAL ENERGY STRATEGY

Now, so much for the buy low and sell high easy advice. We've spent some time, and here's where my association gets very nervous, I say again, this is not the position of the industry. This is basically looking at what I could suggest to you all as something you ought to do to pick up from where we last visited this and what can be done about it. I've got basically 11 ideas or concepts that you might take a look at.

ACCESS TO RESOURCES

One, you've got to address, the Congress does, access to and development of resources. It's been looked at before and

it's going to be looked at again.

Mr. Kingston. Mr. Chairman, I'm sorry to interrupt, I'm enjoying everything you're saying, but I'm having trouble finding where you are in your testimony.

Mr. Moore. I'm not.

Mr. Kingston. I figured, ex-member of Congress, I didn't think you'd stick to the script. [Laughter.]

But it's real good stuff that you're saying. I want to be able to refer back to it.

Mr. Moore. Congressman, I'm afraid you can just put that aside.

Let me say, it wouldn't clear the writing people in my association. So basically you've got to do without and then you've got to come in here and say what you really think. So basically what I'm going to try to do is offer you some thoughts that the association really has no position on, or in some cases may not agree with.

But the point is, you guys have got to agree with, you've got to look at, rather, and deal with access questions and natural resources. Same old issue that's been around before. You've got to look at it again and see what you think, what you think the American people will deal with.

ALTERNATIVE FUELS

Second, I think that you've got to aggressively begin to implement the alternative fuel provisions of the 1992 Act. Did the Federal Government live up to its requirements on alternative fuels in its fleets of Federal vehicles? What's been done with the standards that were set to be looked at for possibility of private fleets? Go back and look at that and see where we are.

CORPORATE AVERAGE FUEL ECONOMY (CAFE) STANDARDS

Third, there's a possibility of needing to do something with CAFE standards on SUVs. I just bought one, 14 miles to the gallon, it's exempt from everything. You guys should take a look at that, is that what you want to see done, because the transportation sector is where you're going to get any conservation on the consumption of oil.

REFORMULATED GASOLINE

Fourth, I think you need, and Red is the real expert here, one single reformulated gasoline formula. When you start having one for different parts of the country, your manufacturing capacity and your refineries can't deal with that, and you're not building new refineries. So this Congress needs to take a look at, do you want to have shortages in Illinois or do you want to have gasoline flowing across the country where it's needed and can be used in any market. So I think you need to look at that.

DEREGULATION OF ELECTRICITY

Fifth, we did wholesale deregulation of electricity, or

restructuring, as I'm supposed to say, for the electricity markets in the 1992 Act. You've got total chaos going on out there now, because we couldn't deal with retail at that point. We didn't have the political consensus to do that. Are you there now? That's something you need to deal with, are you going to deal with retail restructuring of electricity or continue with the California type problems.

TRANSMISSION LINES

Sixth, my former colleague and good friend is going to raise in his testimony, and I join him in that, looking at the possibility of the need of eminent domain for electricity transmission lines at the Federal level. That's something you ought to look at and take a close, hard look.

NATURAL GAS

The seventh, there are bottlenecks on natural gas, both interstate and intrastate. And I think that Mr. Dicks is absolutely correct, we need oversight hearings of the FERC to find out what's going on, why is this happening, and what can be done to relieve this. It doesn't do any good to drill and produce natural gas if you haven't got a pipeline to put it in.

NUCLEAR ENERGY

Eighth, I think Congress has got to move to give support to the Administration to resolve the nuclear waste repository issue. Nuclear energy shouldn't be written off. But until you find some acceptable way to deal with the waste, no one's going to invest in a new nuclear power plant, much less even keeping one on line, or having its license extended. So that needs to be solved. The last time I took a look at it, I think it's up this year for a decision as to whether to open Yucca Mountain or not.

NUCLEAR REGULATORY COMMISSION

Ninth, you need to take a look at and do some oversight hearings on the Nuclear Regulatory Commission. There are some 30 nuclear power plants, is the number I've been given, that come up for extension of their license. You can strangle one of these plants and you can cause it to shut down if you're going to have a long, protracted regulatory process for that relicensing, or extension of that license of existing plants. That's something that again, Mr. Dicks talks about FERC, I think you could apply the same reasoning toward the Nuclear Regulatory Commission, take a look at what they're doing.

HYDROELECTRIC POWER

Tenth, if you want to relicense a hydroelectric plant, it is extremely difficult and time consuming and expensive. In our industry, there are a lot of low head, small dams, 5, 10, 15, 20, 30 megawatts. They're not going to go through that. It's too expensive. You can't make any money doing that.

So again, the FERC needs to have oversight hearings by the Congress as to what have they done, what are they going to do about making this an easier process, and to see to it that these hydroelectric facilities can have their licenses renewed when they expire. There are a number of them coming up.

RESEARCH AND DEVELOPMENT

And lastly, research and development and incentives, the kinds of things this Subcommittee deals with. You put a lot of money for a lot of years into a lot of R&D in the Department of Energy. There are also some incentives you funded. I think that you really need to take a close, hard look at what are we getting back for that money.

Should it be concentrated on one technology over another? What more do we need to do to make those technologies really happen? Because you're the investors on behalf of the American people. And the deal, we will build anything you want, and they will study anything you want, but this Committee has an absolute duty to be looking at that, just as I think the new Secretary of Energy is doing, figuring out where are the investments and where should they be made and where are you going to get something out of it.

And in that regard, I will return to my statement, Congressman, and give the one commercial that my industry has asked me to give, and that is, you have been funding now for three or four years a very promising technology that's now this year going into the prototype stage to gasify liquid wastes in our industry. If it works, it promises 30 gigawatts of electricity. That's 30 major baseload power plants worth from additional sites, rather from existing sites, and as I say, the first prototype plant is being built this year to see if the research that you have funded 50-50 with the industry will work.

With that, Mr. Chairman, I'll pass.

[The written statement of Mr. Moore follows:]

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Mr. Skeen. You're still a very lively individual.
[Laughter.]

Next we'll hear from Phil Sharp, another former member of Congress and the former chairman of the Energy and Power Committee.

Opening Statement of Mr. Sharp

Mr. Sharp. Thank you very much, Mr. Chairman. It's a delight to be back with so many folks that I know and some that I haven't had the opportunity to get to know. I'm reminded of the 1992 effort, because it was a bipartisan effort, and I'm struck by how much I would agree with my former colleague and what he just said specifically.

But my testimony is primarily addressed at some broader points. Like my colleague, I was in Congress for many years, 20 of them, and I supported an enormous number of initiatives in energy, some of them actually proved useful and some didn't. Unfortunately, no one's keeping score from my point.

But this Committee has played an absolutely essential role over that period of time as all of you know. And it's doubtful that I'm going to add to your understanding of the energy picture as a result. But let me try with a couple of broad things that I think it's important that the public and media understand about this debate that we're about to re-enter, because the rhetoric is frankly very much like it was for the last 25 years every time we considered energy, and so often seemed to miss the realities that we have to deal with.

COMPETITIVE MARKETS

The first thing is that we do have an energy policy in this country, and it's to rely on the competitive markets. That is the central most important and powerful thing that we have to recognize. We of course don't leave it just to the markets, we do a lot of things that support and shape and restrict those markets, and sometimes for very good reasons we do that. We aren't just a laissez-faire policy in that regard.

Those of you that are old enough to remember know that we spent 20 to 30 years with an ideological and political struggle over what to do about natural gas. We spent less amount of time over oil. And we finally ended economic regulation to the massive benefit of our economy, our consumers and our national security. And I hope we will not forget that in the process. Because today we're facing some very painful price rises in natural gas and in gasoline, and the temptation is naturally to say, well, let's just go back and regulate it, although fortunately we don't hear too many voices saying that, and I hope people will be wary of controls.

FEDERAL ENERGY REGULATORY COMMISSION

The Federal Energy Regulatory Commission, no longer in gas, manages a price control system. But it does play an extremely important role in supporting our pipeline system and in making sure it doesn't strangle competition, making sure it doesn't interfere with protection of the consumer by the marketplace. And indeed right now, they have a very serious investigation underway with one of the major suppliers in southern California where the prices went so astronomically above the market level that many people suspect major market manipulation there. But this is in fact, and I hope will be, vigorously addressed.

PRICE SWINGS

This is not to say that when we have price swings it doesn't create enormous pain. A couple of years ago it was for the producers. Now it's for the consumers. And in each case, we've had people right away want to re-regulate the market on behalf of one or the other class of citizens. But the real way for us to be compassionate for the poor in our society is, as the Congress well knows, is through the Low Income Energy Assistance Program and through the weatherization program and some others that many people here have voted for and strongly supported.

NATURAL GAS

The great exception to our market policy, of course, has been electricity, for over 100 years, because we've never provided it through a competitive marketplace. But we are trying to move in that direction, and I think for a very good reason, and I'll address that in a moment. One of the things that the market clearly has been telling us for the last several years is the importance of natural gas, and this has led many people to believe that the whole future of our energy supply situation is really natural gas.

And I would think it's just well worth remembering the big mistake we made in the 1970s, when we were operating under the assumption that natural gas supplies were probably going to run out very soon. And indeed, many of the mistakes of the 1970s energy policy derived directly from that bad assumption, which both Government and industry were making at the time. The danger today is that we make the counter-assumption that this is inexhaustible supply, we can absolutely rely on it, and we don't have to worry about any other fuel or any other activity.

I think natural gas, will play a major role in our future and should, but to do that, even to do what, the modest improvement that people want requires expansion of production and requires expansion of facilities. That means in the Gulf of Mexico, that means in the Rockies, that means offshore, that means in Canada, that means in Mexico, that means bringing gas down from Alaska, Prudhoe Bay.

The point being, not only is the market going to have to make lots of decisions to keep up the production, but the Government, at the State, local and Federal level, is going to have to issue a lot of permits to allow these activities to go forward if gas is to play any kind of role that people hope for today.

NOT IN MY BACKYARD (NIMBY)

That leads me to some comments, I'll skip quickly, it's no news to anybody that NIMBY is another huge development of the last 30 years in this country. There are many good reasons to rule specific places off for production, or to require special mitigation. But the fact is, these add up, these decisions, to a real restraint on the marketplace to be able to serve our energy needs.

EMINENT DOMAIN AUTHORITY

One action I would strongly urge the Congress to consider this year is to provide eminent domain authority to the Federal Energy Regulatory Commission for siting of interstate transmission electric lines. One of the reasons gas has been able to plan an expanding role is precisely because this authority has existed on pipelines for years, and has been used to good effect. New restraints have been found to try to protect property owners as the FERC has used its authority over the years. But we need it, as we need to expand our transmission system in this country.

INTERNATIONAL MARKETS

Let me secondly, and I'll move more rapidly through this, to the fact that these markets are international. We'd make a great mistake if we think we can radically shift our involvement in the international markets. Our national security, our energy security depends on it. And we found in the 1970s there was no way to meet our rhetoric that we were going to make this country energy independent. The costs, regulation and subsidization and energy prices would have been so astronomical that none of you folks would be in office today had you supported it.

PRODUCTION AND CONSERVATION

The third point I want to really make is that as this Committee is well aware, when we talk about adequate supplies, those can be served by decreases in demand, or constraints in demand, and efficiency as well as by supply. We had a foolish argument throughout the 1970s between those who said we had to produce our way out of the crisis and those who said we had to conserve our way out of the crisis. In the end, we did both by Government policy. The marketplace was a powerful force in doing both, and there is no question that we are better off precisely because of both.

In terms of oil, if we talk about conservation, of course, we do have to, as my colleague mentioned, talk about the auto fleet, and we can talk about that more specifically if you want to in a few moments. Again, I would compliment this Committee, which has played historically a major role in seeing to it that there was Government support for the R&D that created or helped advance, especially in partnership with the private sector, many of the technologies that created the efficiencies we have today.

And I can't resist saying that if we want to improve efficiency in this country, it's one more reason why we have to get the electricity markets into a competitive mode. It is one of the main reasons for doing it.

Well, third, or fourth or fifth, as this Committee is painfully aware, we have powerful environmental imperatives that we have to meet. Again, the technologies you support help us there. I share the comments of some of my colleagues that I believe we ought to aggressively, as we have been, pursue

renewable fuels. But there can be no, there's no scenario I'm aware of in which they can in the near future displace all of our other critical fuels. Therefore, it's imperative that we continue to invest in a diversified portfolio to improve the efficiency, the safety and the ability to get the other fuels, such as coal, nuclear and oil for this country.

ELECTRICITY

Let me say just a couple of words on electricity and the priority there. This is where I think there are a number of things that one can say there is a crisis about. But this one is compelling, and we're not just talking about California. We're in the midst of a huge transformation in this country, of this industry, after 100 years of using regulated monopoly as a way to produce power. We're finding it very difficult to get from here to there. We're in the midst of a transition and policies have to be made at State and Federal local levels. The jurisdiction and division of authorities is a crazy patchwork that makes it very hard for the industry and others to proceed on this. We simply must take it very seriously.

I chaired a task force for the Secretary of Energy, in 1998. The task force was very diversified, there were people on it that actually knew a lot more about electricity than I do, otherwise you'd question the authority of it. In that report, we tried to make it very painfully clear that it is during the transition that we are at the greatest risk on the reliability of this system collapsing, and that we needed to get through that transition. We made over 24 recommendations in the report. I didn't make the recommendations, technical, smarter people than I made them. The California crisis has demonstrated the compelling need on this proposition. I outline in my testimony, as many of you already heard, sort of the main components that have gone into that crisis.

CALIFORNIA CRISIS

One I want to stress, although it's not one alone, is that by letting the supply and demand balance in California and the western market get so tight, all the other problems mushroomed. The enormous weather problems wouldn't have been so severe, the equipment failures wouldn't have had the impact, the clearly flawed market rules would never have created the staggering financial problems that they created if it had never gotten so tight to begin with. And the rest of the country must take this lesson to heart.

And let me just conclude by saying that while many of the decisions must be and should be in the hands of the government of California and they should not in any way be let off the hook to make some very tough decisions, as they are beginning to make them, nonetheless, the Federal Energy Regulatory Commission has statutory and historic responsibility over the wholesale market. This is a central problem throughout the west, as well as in California.

I regret to say that it simply has to move more aggressively to intervene in the pricing of that, until we get the wholesale markets straightened out. That probably is at

least through the summer months. I'm very pleased that the President has just announced his two appointments, which from everything I hear, they're very high quality, and it's very important that that agency be fully staffed, fully funded. Because it has a critical responsibility and the Congress can play a very important role in its oversight function here.

But I would caution, as you legislate, naturally people from the west want to write into the laws specific remedies for the specific situation that exists now, specific pricing formulas. I would strongly urge, avoid the temptation as long as FERC acts. Because so many times we've learned that writing specifics into the law like that simply can't keep up with the rapid pace of change. They become counterproductive and work the opposite of what we've got in the end.

Thank you very much, Mr. Chairman. I'm delighted to be back with you.

[The written statement of Mr. Sharp follows:]

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Mr. Skeen. Thank you.

Our final panelist is Red Cavaney, the President and CEO of the American Petroleum Institute.

Opening Statement of Mr. Cavaney

Mr. Cavaney. Thank you, Mr. Chairman.

First of all, I'm here on behalf of our 400 members of the American Petroleum Institute. I might take just a moment to explain what we represent on the oil side of things. On the petroleum side, we represent everything from the upstream side, which is exploration and production, all through the downstream side, which is refining, distribution and marketing.

On the natural gas side of the business, we represent all the production side. We do not represent the distribution side.

SOURCES OF ENERGY

Mr. Chairman, I want to steal a comment that you made and underscore it in the very beginning, and that is that we need

all the sources of energy that we have at our disposal. Speaking for our industry, we are literally maxed out on our capacity. We need more growth in order to fuel the demand. We also need conservation and energy efficiency. We need everything, all the tools that are on the table.

ENVIRONMENT

One of the things that we see as a big obstacle ahead is a mind set that is becoming too much prevalent. That's the idea that there's a tradeoff, that you can either have energy or you can have a clean environment but you can't have both. Mr. Chairman, I submit to you that a lot has changed over the last number of decades. I'd like to submit for the record here, under Secretary Richardson's leadership at DOE, they put out a wonderful book called The Environmental Benefits of Oil and Gas. What this does, it shows over the last 10 years what technology has done to this industry in terms of minimizing the impact on the environment in order to both explore and then produce energy resources.

[Clerk's note.--The information referred to was supplied and is retained in the Committtee files.]

ACCESS

Mr. Cavaney. So we think we are held currently to the highest standards in the world, and we're prepared to be held yet to stricter standards in order to have the privilege to access more of the land that's necessary in order to both find and produce the crude oil and the natural gas for which there's so much demand and for which our economic growth is absolutely dependent.

DOMESTIC ACCESS

Let me start with access. First of all in access we need to do two principal things. We need to diversify our sources for national security reasons, both domestically as well as internationally, and we need more potential product from both of those sources, both domestically and internationally. Domestically, the principal thing that needs to be addressed is the permitting issue, it is a very, very difficult one. Permitting, number one, is the classic case of the conflicts of overlapping jurisdictions by the Federal Government, the State government, local government, as well as conflicts that developed within communities on the NIMBY phenomena that was mentioned earlier.

Finally, in the domestic area, there is something that very directly could be done. We could go to all the BLM offices out in the west, in the Rockies, which is a particularly attractive area. And the one common theme you'll see in them all is they're all understaffed. There are not enough people there to process the permits, even if they wanted to. That is something within our reach, we can go through and look at those.

ACCURATE INVENTORY

And, there is not an accurate inventory. Last Congress, in passing EPCA, did a wonderful thing in authorizing a study done by DOE and DOI to look at the areas that are out there and find out which are the most attractive areas specifically that have outstanding permits where there might be oil and gas, so that we can prioritize our efforts to look, and look at the various decisions that need to be made. We would urge that this Congress authorize funding for such a study. While they approved the study, the funding was not authorized in the last Congress.

INTERNATIONAL ACCESS

Looking to the international side of the equation, there are two things that are obstacles to increasing the diversity of our supplies and obtaining more. Number one among those is unilateral economic sanctions. These are actions taken by the Federal Government, as well as some States, and even some cities in the United States, against foreign countries whose behavior we are attempting to influence. One thing we can say about unilateral sanctions is that the record is, there's not much success there.

UNILATERAL SANCTIONS

But the price that we're paying is whenever we apply unilateral sanctions, U.S. producers are kept out of those markets. We know from our own research, and it's well documented, that no project in these foreign countries has been stopped as a result of U.S. producers not there. All that happens is people from Italy, from France and the other companies end up taking the business. And because of the long lead time, we lose that business for decades.

DOWNSTREAM SIDE

So even if we are successful, Mr. Chairman and members, in gaining all the crude oil and natural gas needed, we still have more challenges that you could help us with that we need to tackle in order to get the product to the consumer. And I'm speaking about the downstream side of the business. Right now, U.S. refineries have been operating at historical high levels of capacity. Last year, when there were opportunities to get more crude oil, to try to put more through the system, it couldn't be absorbed, because all the refineries were operating at maximum output. The demand is continuing to grow faster than we can handle it.

One of the key problems that we've had is that there has been so much regulatory effort placed on the downstream part of the industry that we've not been able to permit or build a refinery in the United States for over 20 years. Luckily, 20 years ago, we had about 30 percent excess capacity. So it has not been a key constraint on extraordinarily tight supplies, and in classic economics, in tight supplies what happens is the bid price is the last gallon that gets bid. So that's why you see these swings that are not good for the consumer, they're not good for the industry, they're not good for anybody, but

they are an outcome of where we are today.

So what do we need?

Mr. Skeen. Let me stop you right here. We're going to take a short recess, we've got two votes going, on H.R. 104, and a journal vote. We will return shortly and resume questions for the panel.

Sorry to do that to you.

[Recess.]

Mr. Skeen. We'll resume the hearing.

First, we'll let Mr. Cavaney complete his statement, then we'll have questions for the panelists. Thank you for your forbearance. We've saved the world again by voting. [Laughter.]

Mr. Cavaney. We as your panelists are pleased to do our part. Thank you.

REFINING CAPACITY

As I was mentioning, in finishing up my remarks, we're looking at the downstream part of our industry, and that's the area that once you have the raw materials, crude oil, we still have some difficulties in terms of ensuring that the consumer has affordable fuel when and where they want it. These have to do with a couple of conditions. One of them is the fact that over the last 20 years, the industry has basically used up all of its spare capacity. We have not----

Mr. Dicks. This is refining capacity?

Mr. Cavaney. Refining capacity, yes, sir. And we've not built any refineries for about 25 years because of the permitting difficulties, and the rates of return have been less than desirable. So where we're faced today is the need to get some flexibility inherent in the manufacture of fuels from crude oil while we address how do we expand the capacity to meet future demands. So we hang in a very delicate position here for a couple of years, trying to serve our customers and do so in a very affordable and regular fashion.

REGULATION FLEXIBILITY

How Congress can help is, number one, encouraging the Administration, and in some cases possibly even having to act legislatively by providing flexibility to some of the regulations. We are not, and have no interest in, rolling back any of the regulations. As a matter of fact, our pathway to future success is cleaner fuel, so that we can be the preferred fuel when the fuel cell replaces the internal combustion engine in personal transportation.

BOUTIQUE FUELS

But what you do need is to have a less prescriptive environment where we can try and be resourceful. The second thing, and it was mentioned by Henson Moore, is in the fuels area. As a result of the Clean Air Act amendments and some of the requirements that are now being asked, States have put together implementation plans and municipalities have in essence created individual mixtures of fuels that are unique to their city.

There are 15 different boutique fuels that now exist which significantly complicates our capacity to distribute fuels. If you look at the way the Nation's gasoline and diesel system was set up, over 70 percent of it travels by pipeline. It was designed when there was one type of fuel. That allowed us to put the refineries, not necessarily right next to the markets they served, but at a distance. We could cascade quickly, wherever there's a tight supply, we could get the surplus there, tamp down any concerns about price and the customer is always taken care of.

But when you put in all these different fuels and they go from east coast to west coast, from north to south, what happens is a couple of refineries become dedicated to making those unique fuels and if something goes wrong with a pipeline or one of those refineries, or they take just normal maintenance time at a critical period, you can stand there and have nobody able to supply the fuel, because nobody else makes that spec and can't get it there fast enough to do so.

So we would hope that, and we've talked to the Administration about this, that the time to look at possibly going to regional fuels, and ultimately maybe even as Henson mentioned, going to a national fuel. You can't make the leap immediately, but we should try and rationalize these things. That will be a big benefit to consumers, it will make our job a lot easier.

Mr. Regula. Why boutique fuels? An automobile is an automobile in California or Ohio.

Mr. Cavaney. What happens under the State implementation plans that, where they try and use a mix of emissions from stationary sources as well as mobile sources, one of the ways that the States add up the numbers is, they fiddle, basically, with the formula of making fuel using a model, because it will tell you what the emissions will be. So they get credits and they say, here you are. So what you really have is, like a doctor gives to someone, they make a prescription and say, this is the fuel you've got to provide. Anything other than that fuel is off-spec and you can't bring it into this market.

So that's where we've gotten to. And again, when you had plenty of excess capacity, you could live with that. But now where we're at, it's a real problem, a very significant one.

PIPELINES

And so finally, I would like to make a comment on pipelines. As I mentioned, most fuel travels by pipeline. The problem we have there again is permitting. The difficulty, when pipelines were designed, they were going to have one fuel. But now in many cases you have as many as 40 and 50 different fuels, because you have jet fuel going down there, home heating oil, gasoline, and diesel. They become much less efficient, because you've got to change. So the system is much less responsive to being able to get the supply where it's needed.

CONSIDERING ENERGY

At the end of the day, what we think has occurred is that energy only seems to be looked at comprehensively when we're in

a crises situation, about every 10, 12, 15 years or so. And we think that in forward energy be given a seat at the policy making table at all times, and that whatever kind of regulations or legislation goes forward, that at least people understand the impacts on energy. We think, Mr. Chairman, that's one of the things that will pay dividends and help preclude these kinds of things from being as horrendous in the future as they are potentially now and have been in the past.

Thank you for the opportunity to appear before you.

[The written statement of Mr. Cavaney follows:]

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RELIABLE, CLEANER, MORE EFFICIENT ENERGY

Mr. Skeen. We thank you for giving us your views. In the long term, what are the most critical issues that need to be addressed in our national energy policy to ensure that we have adequate and reliable, yet cleaner and more efficient energy supplies? Can this be done?

Mr. Cavaney. Yes. From our standpoint, access is first of all, you need to have the raw material in order to begin, Mr. Chairman. And you can extend the raw material by also looking to conservation and energy efficiency. So all of those, they need to be brought to bear.

And at the end of the day, we think the current goals, environmental goals that are set on the regulations, are the kinds of things that benefit the consumer, and we can live with them. But we think that by providing more flexibility, the technology allows you nowadays to do a lot of things that you

can do in terms of providing less pollution more efficiently at a lower cost. And obviously in a very competitive industry, those cost benefits get passed along to the consumer.

Mr. Skeen. How do the rest of the panelists think about that? Having a reliable source and yet cleaner and more efficient energy?

Mr. Sharp. What I think is, everybody has said the biggest problem here is, there isn't any one thing. There are multiple things that always require attention and that has been the biggest problem. Fortunately, the political situation is opening up so that the Administration and the Congress, and hopefully some of the State governments, can actually make some decisions that they have deferred for years, and that's one of the useful political things that happens when we have a crisis.

ELECTRICITY MARKET RESTRUCTURING

But the one priority that I stressed in my testimony I'd like to come back to, it isn't the immediate responsibility of this Subcommittee, although what you do in the long run has a big impact. That's getting these electricity markets restructured. Nearly everybody in the industry now believes that both the industry and FERC has to move more rapidly, believe the State legislators and regulatory commissions need to move more rapidly if we're going to make these markets work.

Because we're caught between two systems now. It cannot function well either way. We no longer have what were the assets of the monopoly regulated system. It had a number of disabilities that we hoped to overcome by moving to the market, but we aren't yet to a market.

So I just hope that that will stay at the top of people's agendas. And I think the Administration understands that, with its new appointees to FERC.

Mr. Skeen. Mr. Moore.

SUPPLY AND DEMAND

Mr. Moore. Mr. Chairman, as I tried to say in the beginning, this thing is very complex. I think that's what you're hearing everybody else say. There isn't one thing you can do.

We're so close to the margin on supply and demand of every form of energy we have that you can't write any one of them off. And we've got folks that would advise you to do that. Oh, forget about nuclear, oh, forget about drilling for oil, oh, forget about building pipelines or transmission lines. You do that, and we're going to see California replicated across the country. Because the margins are so close, you can't do that.

GETTING STARTED

I think, as I tried to say before, you need everything and more of it. Access is a problem, siting is a problem, producing is a problem, delivery is a problem and consumption is a problem. So you can just delve in wherever you can build political consensus, on any one or all of these and find fertile ground to get something done that will help the country

avoid these kinds of things in the future, which we're going to have.

Phil and I, some of you and Ralph and others, Norm, we were here when all this stuff started in the 1970s. And here it comes back around now again in the early 2000s. It's going to be here, sure as shooting, from now on. I just think that what your job is, as I see it, if I were in your place, would be to look for what can you build political consensus to get done, building off of what we've done in the past. Because I'll say, they've got us surrounded. You can shoot any direction, and you can hit a good target. Anything you want to work on, you can do something to help the picture. There are no silver bullets out there, and there's no lack of targets to shoot at.

SHORT TERM SOLUTIONS

Mr. Skeen. What are the two or three things that you would do in the short term to get us out of our current energy problem?

Mr. Moore. I think some of those fell on the 11 points that I mentioned, everything from eminent domain, to looking at access, to overseeing FERC in its relicensing of hydroelectric and its siting of its permitting of power lines and definitely the bottlenecks of gas pipelines. Those are all things you can do in the immediate future that I think in the last eight to ten years that Congress hasn't seen a problem and probably hasn't spent as much time working on those things as it could.

Mr. Skeen. Mr. Dicks.

ELECTRIC POWER IN THE WESTERN STATES

Mr. Dicks. I'd like to ask each of the witnesses their view, if you want to comment, on the seriousness of the current electric power situation in the west. As you know, we've had further rolling blackouts last week, and California has just announced immediate increases in electricity charges up to 46 percent. Rates for the Bonneville Power Administration up in the northwest could rise from 100 to 300 percent this fall.

How serious is this situation in the western States, and how long do you believe the current problem will continue?

Mr. Sharp. Well, first of all, everybody was wrong about the problem, which is not--it's a bit of humility for all of us to take into account. The presumption was that last summer would be tight, and by the time they got into the fall, I think even the major utilities, that are near bankrupt in California, believe they could recover if they could get action from the State government in the fall. But in fact, it only got worse, which is to tell you, act expeditiously.

But very quickly, it appears that through the summer is the hard part, because that of course is the peak season. Now we have the hydro cycle completely off in the west, which you're much more familiar with than I am, but we are only in the winter.

So the situation is clearly going to be tight. I think it behooves every State government to be encouraging and every utility to be encouraging, all kinds of direct actions that they can take to help on the reduction of demand. They'll do

everything to increase supply. But there isn't a lot you can do.

DEMAND SIDE BIDDING

But to demand, for example, there's something called demand side bidding. There are ways in which you can buy back power from some of your users during key hours. Some of this is going on. It just has to be very aggressively undertaken in California and elsewhere. I think that's what parties are trying to do out there now.

FINANCIAL PROBLEMS IN CALIFORNIA

But it is imperative that California, and with the support of the FERC, get the financial thing stabilized. That blackout last week had nothing to do with the lack of productive capacity. It had to do with what we saw in the collapse of the Soviet Union, when people aren't paying bills, when contracts don't matter, the whole system doesn't function. We just take that for granted.

It's unbelievable that in our modern society, we could have so many millions, actually billions of dollars worth of unpaid electricity, not by the consumer, but within the industry arrangements, so that a whole group of producers finally said, after not being paid since last November, we can't produce, we're not going to, if you don't pay us, we can't survive. And these are the small guys. The big guys are actually doing it without having their bills paid.

FERC CONTROLS

So it appears that California may be getting there, but FERC has to also, and I think very quickly, it must do something about capping the wholesale market on a temporary basis. I would urge them not to do it beyond the summer and see where they are, because I don't think that's a good long term policy.

Mr. Dicks. Well, and I think that's a very important point. The governors out there, at least the Democrats and the Congressional delegation of Washington, Oregon and California, are all calling for FERC to intervene, because the prices have gone up 20, 30 times what they normally would be for electricity. So in our opinion, I think the studies have been done, that the market is dysfunctional.

Therefore, you've got to step in, put price caps of some sort, soft caps, whatever, try to do the right thing and get the situation back under control while at the same time emphasizing conservation. The utility in my district has gone on television and radio, and gotten an 11 percent reduction so far, which is pretty good. And they're trying to get up to a 20 percent reduction.

This would save them like \$3 million per one percent of reduced load they have to go into the spot market and buy. So for the Administration to basically say, we can't do anything, we're just going to let California handle this on their own--and it's not just California, it's the entire west--I don't

think is a very credible long term answer.

Mr. Sharp. If I could just add two things. One is, I think we're going to see the Administration moving, and the FERC has done some things under a soft cap. It's just insufficient, I think, in a lot of people's views. I personally believe we'll see a change in that policy.

But the one thing that I would hope would not happen is that people believe that FERC putting on a cap on a temporary basis is the solution. It is in no way the solution.

Mr. Dicks. You're absolutely right.

NEED TO ACT ON PRODUCTION SIDE

Mr. Sharp. And the danger is, if political leaders in the west, and in California particularly, use that as an excuse to not act, the problem will get worse. That means they need to site, they still have some time, you can still do some siting of natural gas peaking units, they can still get those on-line. You know, they wouldn't let into San Francisco Bay last year a barge with a generator, because of clean air issues that it probably didn't actually violate the main Clean Air Act, anyway.

But those kinds of actions, if you do not allow those things to happen on the production side and also move aggressively on the demand side, it's going to be very tight and people may be getting used to rolling blackouts out there. In my part of the country, they wouldn't be.

Mr. Dicks. The point is, we're trying to do a lot of gas turbine engines all over the west coast to try to deal with this problem. People are looking at wind power, they're looking at a whole series of alternative fuels, conservation. So there's a multitude of things being done. I think Henson's point was, you've got all these things to do, you've got to do them all.

And I agree with that. But because I see this as a dysfunctional situation that we in the west are probably responsible for, because we didn't build the plants that we should have built to not get into this tight situation we're in now, where just a little surge in demand and there's a huge spike in the prices. So we've got to get out there and build some additional capability.

But also, as mentioned, we've got to get our hydro relicensed, that's a big time problem. We've got some nuclear out there, getting that relicensed is another regulatory issue. Your point about eminent domain on transmission lines I think is a very important issue, and that's going to be harder to do, but something that should be done, to help the reliability and those issues.

We've gotten ourselves in a real mess out there, and the situation is not going to get better. It's going to be at least two years. And the drought, of course, in the northwest, it's the second worst water year in history. That's about 3,500 or 4,000 megawatts right there that we would have.

And then the other issue is the California situation, where you've got 50,000 megawatts of capacity but only 35,000 megawatts are actually operational, and a lot of suspicion about that, the timing of these shut-downs, etc., etc. So I

appreciate your comments.

Henson, did you have anything?

TIMBER INDUSTRY

Mr. Moore. Well, Congressman, you're very familiar with our industry. And I'd point out we've done a quick assessment. We've got 10 mills closed down right now, 3,600 employees furloughed, most of them in the west. And it's because of our energy prices. We can't make money at the current energy prices, you're right, it is dysfunctional. We're out of the business.

To make it worse, we've got three of those members who are co-generators and have been selling electricity, continue to operate to co-generate electricity and sell it to the California market, and they haven't been paid. So they're talking about shutting down, which is going to exacerbate the problems in California. You can't keep running a mill and having people not being paid.

So you're right, it is a dysfunctional situation.

FERC

Mr. Dicks. Do you think FERC ought to act?

Mr. Moore. I don't know what needs to be done on a short term problem like that. But basically, somebody has to get people paid. And the energy prices have to return to something a businessman can count on, or they will just get out of the business in that area.

Mr. Dicks. Thank you, Mr. Chairman.

Mr. Skeen. Thank you. Mr. Regula.

Mr. Regula. Ms. Hutzler, you are predicting what will happen. Do you also predict solutions? [Laughter.]

FORECASTING

Ms. Hutzler. Actually, when you're looking at mid and long term markets, you do think that competitive markets could work, so that if the prices and supply can balance out, then you can choose the kinds of things that you're forecasting.

Of course, in the short term bottlenecks can exist, and we've seen that. So the long term concept is more that the permitting, if these companies have time to plan and they know the demand is there, and obviously things work out in terms of the permitting, that that kind of situation is feasible, given our resource base. So we do have resources in this country, particularly in coal, also in natural gas, to make these predictions actually become a possibility in the future if in fact the demand is there, the producers know the demand is there.

COAL

Mr. Regula. Given the amount of coal we have, should we intensify our efforts to find technologies to burn coal, vis-a-vis Tampa Power or retrofits?

Ms. Hutzler. Currently, we have the pulverized coal

technology. Usually one must use a scrubber, because that's already in the Clean Air Act, to help with NOX emissions. And it is still cheaper than the other clean types of fuel.

If you bring the price down, then they will become more competitive. But you do have to control the systems technology, too, to deal with the current legislation that is in place. Now, of course, if you get more stringent in terms of environmental controls, then that----

Mr. Dicks. Ma'am, would you use the microphone so people in the audience can hear? You have a very soft voice.

Ms. Hutzler. If there are additional environmental controls on SOX/NOX or even mercury, then that brings into the situation additional technology to deal with it.

NEW TECHNOLOGY

Mr. Regula. One more question. How do we overcome the infrastructure problems, and you've all alluded to this, in this country, to enable new technology to achieve market penetration, such as fueling for alternative fuel vehicles and access to natural gas for heating and cooling? And what is the role of Government, if any? Do you think the marketplace can accomplish this?

Mr. Cavaney. One of the most important things that Government can do is basically work to move the obstacles out of the way. We're seeing, for example, speaking about transportation, extraordinary gains in fuel cell technology, where some people are forecasting that within the decade, we'll actually see personal transportation with fuel cells, and it looks like clean gasoline may end up being the preferred fuel, which then takes care of some of the things and also helps further improve the environment by getting the fuels and the emissions down lower.

Ultimately, if you get to there, it will take a long time to turn the stock over, because autos tend to be in inventory, shall we say, or personal use, for 12, 13, 14 years. But it's the beginning. Right now, most of that has been done in the private sector.

GOVERNMENT ROLE IN NEW TECHNOLOGY

So we see some of the major gains in the precompetitive area, we think there is a role for the Government to look at some of the initial stages and make some of those significant investments and try and develop the road signs. But once they've put together something that's attractive enough that the private sector gets on board, working together with the private sector to remove the obstacles, I think leads you to the fastest pathway to implementing these new technologies.

Mr. Sharp. I would simply add, Mr. Cavaney is absolutely right about obstacles, that oftentimes Government can help eliminate. The truth is that some technologies are available, and if we want them faster, we simply have to engage in some kind of incentive from the Government to help make it happen. We've all been a part of supporting things that didn't work. So

I say this with some reluctance.

TAX CREDITS

But right now, wind has unquestionably moved into the marketplace, much more rapidly than was anticipated, because we had the production tax credit, which we pay a penny and a half. We found that that technique was a better one than an investment tax credit. We put a lot of investment tax credits out there for solar and for wind and we thought that a lot of the capital was wasted.

But when we turned to a production tax credit, where you only get help if you produce and get into the marketplace, we discovered that it had a big impact. Now the risk of that is it takes whatever technology is the most immediately available, which was wind. It tends to discriminate against solar advancement, if you talk to the solar people. But there are, I think, some legitimate places to have tax credits to help bring technology in more rapidly, on a temporary period of time.

EFFICIENCY STANDARDS

And in some instances, efficiency standards where it's just not worth it of the consumer to know about and make the decisions. But if we take action on refrigerators, we actually have a big impact on the marketplace, over time, as long as you allow the industry enough time.

DECIDING IMPORTANCE OF NEW TECHNOLOGY

Mr. Moore. Your extensive regulatory history, I mean your appropriations history, not regulation, that's somebody else, in your extensive history of doing that, you know the answer to these questions. Basically, new technology is not in use usually for one or two reasons. It isn't proven or it costs too much. And so how do you get at that? Does Government have a role to play in dealing with those things? That's what you guys are paid to do and elected to do, sit down and figure out, if this is so important to the future of the country, the country is willing to do something to make that happen sooner than it would otherwise happen.

And the one that I mentioned we're working on, in partnership with the Government, is precisely the case. When you ask a company to take on a capital research project, they're going to rank that with their other projects. If it comes out 45th and they've got money for 2 or 3, this one doesn't get there. And that's a role you all play in figuring out what are the right ones to put appropriations into the Department of Energy so they can in turn build research partnerships or CRADAs with organizations to design that.

And then just as Phil said, even when you do that, it still may not be profitable. So then you look at, well, are there incentives that can make some of these things work? And there's a good record on that, where some have failed miserably and some have been of help. It's just the age old question. The only reason why it's not there is not because of some cabal to keep it out, or because of stupidity, it's basically dollars

and sense. It just doesn't make dollars and sense to use it.

Mr. Skeen. Mr. Nethercutt.

Mr. Nethercutt. Thank you, Mr. Chairman.

Welcome to the witnesses. I find your testimony interesting.

CALIFORNIA

I'm from Washington State. And I'm one who feels as though California has brought a lot of their problems on themselves. And they haven't felt pain at the retail side, certainly the wholesale side, but not the retail side, like we have in our northwestern States. So we're bailing California out, with all due respect to California.

So I'm delighted to see that they've raised prices in California on the retail side. I think that will inspire conservation, it will give people in California some sense that they've got to do something in order to get some new supplies on-line. They haven't had a refinery built or a new power plant built for years.

I'm sympathetic and empathetic but my goodness, California had better get on the stick. They've made such a mess of deregulation, in my judgment, that it's poisoning the rest of us.

Having said that, I listened to your testimony about crisis, you used that word, several of you, and also the word emergency. You also talk about access. And then I heard you talk about permitting.

ACCESS AND PERMITTING

Help the Committee understand from a national energy policy standpoint how far you would recommend we go in the case of getting more access to power supplies, and more, faster permitting. How far are you willing to go? Are we in a position where I hear you use crisis and emergency to the point where we want to say that we suspend or waive or whatever other verb we want to use, some of our environmental laws? Or maybe put a cap on the time that it takes FERC or other agencies that approve of new power supply or new generation, give them a limit on how long it's going to take. It takes years and millions, in some cases, to get any kind of permitting done.

So it's great to talk about permitting and access. But how far do you recommend we go as a Congress? If you're inclined to answer.

Mr. Skeen. Don't tell him. [Laughter.]

Mr. Nethercutt. Anybody want to take a stab at that?

Mr. Cavaney. We have taken a long look at this, because we're faced with the need to make some massive investments to continue serving our customers. Rather than look at and suspend or eliminate some of the environmental rules and regulations that are on the books, we think that you can keep the goals in place, but give people the flexibility and don't be so highly prescriptive about what's there. Or at the end of the day, six months can make a difference on a permit, give a waiver for a small amount of time or some things like that.

We don't think we need to change the general direction.

What we need to do is get a better focus on the allocation of Government resources. Like I mentioned on the subject of permitting, one of the problems we know for access is just the lack of people there to process the permits. In the energy business, the one thing you learn very quickly after looking at this is, almost everything is long term. You can't do anything quickly.

So what that really does is it puts pressure on you all and your colleagues, though, to make decisions pretty quickly, because the clock is already ticking. You may not see the benefits for three to five years from some of these decisions. But again, if you delay making the decision, nothing will happen. In the meantime, though, there is a big problem that needs to be addressed. Congress has addressed it, but it's one you need to be continually sensitive to. Higher prices, which are the manifestation of these tight supplies, are going to be with us for a while.

LOW INCOME ASSISTANCE

People at the low end of the income chain are those who are least able to cope with that. And they're going to be facing this for a couple of years.

So things like the LIHEAP fund that was funded in increasing amounts has a very appropriate place and should be given priority considerations. The Committee may want to also look at, are there other disadvantaged groups that because of how they're uniquely positioned are going to have a difficult time getting through this, and try and look at ways how we can cushion things for them in the temporary period while you go about helping us get the flexibility we need to make those kind of investments.

PREDICTABILITY

The last piece I would add is, you need flexibility going forward, but you also need predictability. So the sense to which you can help Congress and the Administration come up with flexible things which have a longer term horizon, the more likely you're going to get the investment capital in earlier to do the things that need to get done, and the more you'll make the gamble or the bet on new technology investments, an attractive one, because they know they've got a chance to work it off, and that's what they need.

PRICE CAPS

Mr. Nethercutt. And I think that's the issue relative to, the incentive to go out and invest millions of dollars to get a new source of supply. And that's the fallacy I see, at least in the short term, with caps. I don't think that short term caps generate the ability to have investors invest in long term solutions. That's my concern. That's why it's been frustrating.

I know we have a disagreement in our region over this, and I think a legitimate disagreement. But that's the problem I see, and I think that's the problem the Administration sees.

Mr. Dicks. But you take the caps off new production.

Mr. Sharp. If I could respond to that. One is, any cap or proposal to eliminate new production facilities right off the bat. But secondly, of course, if you put very low caps, it's a disaster. The point is to keep the highest things from happening. And I certainly agree with the fundamentals, as I mentioned, of the Secretary of Energy's statement that you don't get new supply and you don't get demand reduction with price caps.

But the problem is that the prices are way above what any investor today ever thought they could get or thinks that they could get. The problem today is that people are waiting in line to build new plants in the west, but State governments, not the Federal Government, has to permit them.

Mr. Nethercutt. I agree.

Mr. Sharp. And finally, in California, it appears that they understand it. They appear to be about to do something about it. I hope that's the case.

JONES ACT

Mr. Nethercutt. Let me ask you about the Jones Act as an option. We have farmers in our district, the Fifth District of Washington, who are paying, or are going to have to pay, exorbitant prices for fertilizer. Natural gas is part of the product that makes fertilizer. Would you be willing to recommend, or do you think it's a good idea, to suspend the Jones Act to allow the gas from Alaska to come down in foreign bottoms in order to help alleviate this problem of getting liquid natural gas and other products to California and the west coast? Do you think that makes sense, or would you recommend against it?

Mr. Sharp. I come from the midwest, and we never were fond of the Jones Act in the midwest. It didn't matter to us. I just learned the hard way that that was an issue. Good luck to you if you try to change it in Congress.

You can get dozens of examples of ways in which we've intervened in the marketplace that make it more awkward, difficult, costly. Sometimes it's worth doing. But I have a hunch that's not one of them.

Mr. Nethercutt. Thank you for your testimony.

Mr. Skeen. Mr. Hinchey.

Mr. Hinchey. Thank you very much, Mr. Chairman, and thank all of you very much. This has been a very interesting couple of hours here.

IMPACTS OF REMOVAL OF ENERGY EFFICIENCY STANDARDS

I was interested, among other things, by the charts that you used. One of them, they all caught my attention in various ways, but this one particularly, because it demonstrates that the use of both petroleum and natural gas declined in the second half of the decade of the 1970s, and then shot up again beginning at about 1981, 1982.

So I conclude from that, and I don't know if you would verify this, that the removal of the energy efficiency programs and alternative energy incentives that were put in place during the 1970s caused this particular phenomenon, whereas the use of

petroleum is going down, natural gas was going down, they both started back up again, petroleum much more dramatically, I would say as a result of the removal of those energy efficiency standards, renewable energy incentives, things of that nature.

Ms. Hutzler. I'm not sure it had to do with removal of renewable energy standards at all.

Mr. Hinchey. To what would you----

Ms. Hutzler. First, we had high prices, which brought it down. That was the major thing. Then you couldn't use, for instance, natural gas for electric utility generation. That changed later, and now of course that's where the biggest demand increases are that we're forecasting and we're seeing currently.

Mr. Hinchey. Yes, but that didn't change in 1981. That didn't change until much later.

Ms. Hutzler. Right. But there were restrictions to only use gas for certain areas.

Mr. Hinchey. And the prices haven't changed. The prices have remained high.

Ms. Hutzler. They went down after--we had low prices in the----

Mr. Hinchey. We went down in the recession of the 1980s, but that didn't happen in 1981. I'm interested in that phenomena, that change, the dip and the increase up. That's what interests me. And I wonder what the explanation for that might be.

Ms. Hutzler. That was shown on the energy consumption chart.

FACTORS IN CALIFORNIA CRISIS

Mr. Hinchey. In any case, it's an interesting question, I think, and I think it's one that needs further examination.

I think the situation in California is a little bit more complicated than we sometimes want to believe. California led the Nation in energy conservation prior to 1995. They had engaged in a program that allowed their energy use to grow at the rate of just over 1 percent a year, which was half the national average. That came about as a result of energy efficiency programs that were implemented there which were the best in the country.

But in 1995, Southern California Edison sued, and the Federal Energy Regulatory Commission overturned the energy plan for California, which abandoned all of those energy conservation efforts. After that, energy use soared. In fact, in the last year of the decade, it went up by 3.5 percent, whereas prior to that, it had gone up by only 1.1 percent a year.

So I think that there are other aspects of that situation. And the idea that California had not added any generating capacity for a long, long time is just false. In the decade of the 1990s, California added more than 4,000 megawatts of energy generating capacity, which is a little over 9 percent of the installed capacity in the State.

So the situation in California is a little bit more complex than the headlines and the newspapers would lead us to believe. And if we're going to arrive at a solution to this problem, I

think we need to be a little bit better informed about these issues. I'm talking about the people on this side of the table, especially, need to be better informed about what is really going on here.

DEREGULATION

I think that as each of you have made the point in various ways, the question of deregulation has so disrupted this marketplace, and left us in a condition not quite of chaos, but of certainly confusion, and that is very true in a number of ways. First of all, under the previous regime of the investor owned utilities, you had a stake that was held by the investor owned utilities in energy planning by their customers. They had a real stake in the kind of portfolio that they held for each of their customers.

Part of that was energy conservation and alternative energy and a whole host of things. But with deregulation, that went out the window. Nobody had that stake any more. There was nobody doing the planning, nobody doing the organizing. That has gone by the boards. And that needs to be replaced by something, either by legislation that comes out of this Congress or regulations out of the Federal Energy Regulatory Commission, or individually by public utility commissions across the country.

But the lack of that planning capacity which was held by each of those investor owned utilities overseen by a utility planning commission in each of the States was an essential part of holding down the waste of electricity and energy in the country, and the diversification of portfolios. I wonder if any of you would want to comment on that?

CALIFORNIA ELECTRICITY USE

Mr. Sharp. I'll be glad to. First of all, in California, you're absolutely correct. The per resident use of electricity was actually in decline from 1990 to 1995, but after 1995 to now, it has been going up, the per resident use. And part of it is the loss of the demand side management programs the State imposed on the utilities and a variety of State programs which also got cut back during the same time when they restructured. I don't think there's any question that that's true.

I think part of it also is true, though, that this wonderful prosperity we have enjoyed during the 1990s has led to, one of the descriptions in California is the increased size of houses that are being built. The homes are larger, the number of appliances the average house has has grown enormously, more computers, more televisions, more everything else. So the per person electricity use has gone up.

But a part of what California now is doing is a part of the response which needs to be done across the country. That is to recognize the push for efficiency in a whole variety of ways that you can help to do.

MARKETS

I also think the market can help on that. And in fact, one

of the good things that came out of beginning to break up the monopolies is we have now more people in business who at least in the commercial and industrial sector, much more than in the past, will go in and actually have the incentive, they can make money by helping a company manage its reduction in energy. That is one of the good things that came out of this. But we lost some things out in California, unquestionably.

Mr. Skeen. Mr. Peterson.

Mr. Peterson. No one else cares to comment on that?

GDP GROWTH AND ENERGY USE

Mr. Cavaney. I can offer that typically when we look at GDP growth, for every 2 percent of GDP growth nationally you have about a 1 percent increase in energy usage. That's pretty much where it is.

California's GDP growth over the last five years was 29 percent, its energy usage went up 24 percent. So there was an incredible dynamic going on in that State during that period of time. And the fact that when they entered that 1995 period, they didn't have a lot of spare capacity to begin with, really made this a more difficult problem.

So you're absolutely right, I think there was a very complex mixture in here that really needs to be looked at if they're going to, in the long term, get the mix right.

CALIFORNIA ENERGY PLAN IN 1995

Mr. Hinchey. And the fact that the FERC overturned their energy plan in 1995, which had as its major component energy conservation, and alternative energy sources, must have played a role in that, I would assume.

Mr. Cavaney. I particularly don't know, but I know there's certainly a role for cost effective conservation and energy efficiency in any effort to try to deal with energy.

FUEL CELLS

Mr. Hinchey. Let me ask you just one last question. With regard to fuel cells in transportation, what kind of efficiency do you anticipate early on?

Mr. Cavaney. I think like anything, the early stages will probably not get you where you want to realize, but we think clearly you're going to see energy efficiency through fuel cells that will be better than what you get out of internal combustion engines. That bodes well for the consumer, because that should help alleviate some of this pressure, and you can equate affordability with availability.

Mr. Skeen. Mr. Peterson.

GENERATION

Mr. Peterson. Thank you very much. I find this very interesting.

About a year ago, maybe it was--we attended a number of briefings on the direction we were taking with generation. The Electric Institute put out a, I think it was an eight year

bubble where there was going to be a tremendous amount of natural gas used. Then at the end of the eight year bubble, clean coal technology was assumed to come back in and pick up the slack.

A short time later, we attended a briefing in the Senate that Kay Bailey Hutchinson put on. A speaker there predicted that this huge commitment to generation was on unsubstantiated reserves. And it appears he knew what he was talking about.

As I look at all your charts here, I find it scary. I'm going to tell you, there's a lot of discussion about California, but I think the east coast, with natural gas prices this of concern. I don't think we yet know the impact we've had on our economy with gas prices this year. If it continues next year, the amount of money senior citizens will have to pay to light and heat their homes will push them out of their homes. I have people coming to me just absolutely astounded with their energy bills the last three or four months.

As I look at the numbers here, we talk about a 45 percent increase in generation. I don't know what period of time that was in.

Ms. Hutzler. It's through 2020.

NATURAL GAS

Mr. Peterson. But I also know that in my district and all over the country, we're turning on gas generators everywhere. And some of them, I'm told, take a foot or two foot high pressure gas line. That's a lot of gas.

I guess my concern is, are we going to have any gas to put in the ground this summer to prevent skyrocketing prices next year? I have businesses that have survived, smaller businesses that use a lot of gas, that have survived this winter, but they will not survive the second winter with these kinds of unpredicted gas prices. There's one of the largest paper companies in the world that have used up their expected profits by January, just from energy costs that were unanticipated.

So my concern is where are we with natural gas? Now, you've predicted, Mary, that we'll have a 3.1 percent increase in production in 2000, a 3.3 in 2001 and a 2.5 in 2002. Then next year alone, though, we have a residential increase of energy needs from 1.27 commercial, and 1.4 industrial, that's 3.6 in overall energy needs, overall. So at 3.6 growth in energy needs, and we're only looking at a 3.1 percent this year and 3.3 next year of gas availability increase, and we've allocated all of this gas to all of these new generating plants. If we have a hot summer, I think we have ourselves in a terrible position to next winter, economically, for our home heating.

WORKING NATURAL GAS IN STORAGE

Ms. Hutzler. Well, right now, we do have very tight natural gas supplies, and we have very little in our working gas storage that my chart showed.

[The information follows:]

[GRAPHIC] [TIFF OMITTED] T1708A.066

Ms. Hutzler. As times goes on, though, we think that's

going to be lessened, and we'll get more and more into storage. But it's going to take us a while to get back to where we need to be in terms of normal levels of storage. So therefore, we're forecasting that gas prices are going to be fairly high for quite a few years now.

In our long term forecast that we predicted last fall, we had estimated the gas price going back to its long term trend around 2004. But that was when we thought it would only hit about \$3.30 in terms of its high point. Now it's going to be much higher, over \$4. So it's going to take us longer to get those prices down.

ON-LINE GENERATION

Mr. Peterson. Do we have good data on how much generation is coming on-line? And they build them very quickly.

Ms. Hutzler. Yes, these turbines can be built very quickly. We do get reports from generating companies as to the amount of capacity coming on-line and what they're predicting for the future.

In a deregulated environment, however, you have to be very careful about announcements. If they're under construction, then you can count on those. But a lot of times, capacity is announced and it doesn't actually come on-line.

IMPACT OF LOW NATURAL GAS SUPPLIES

Mr. Peterson. Am I wrong? I'll ask all the panelists to be concerned about the gas as I'm looking at it as an overall economic issue. I have a lot of business, and major businesses, who cannot stay in business and compete with steel, with making clay products, anybody who uses a lot of energy, they're looking at bottom lines wiped out already for a whole year, and maybe at losses. The greenhouse growers are absolutely anticipating a profit-less year, the people who are going to raise our plants in part for agriculture. They were not prepared to pay those kind of energy prices, because this happened so quickly.

Mr. Moore. Congressman, I think your concerns are right on. While I've been away from this now for about eight years, in terms of really sitting down and working on it on a day to day basis, we concluded at the end of 1992 that to depend upon natural gas for your baseload electric generation in this country would be a real mistake for that very reason. The gas wasn't there, the gas had higher and better uses, for home heating, higher and best uses as feedstocks in the chemical industry. And to suddenly shift your base load away from coal, away from nuclear, away from hydroelectric to where all you're building and all you're planning on using is natural gas, you're going to wind up with chronic high natural gas prices from now on.

And I don't think it's there. That goes back to my memory of having worked on this some eight to ten years ago. But basically part of what you're seeing today is the only thing you can site, the only thing you can throw up real quickly is a modular natural gas generating facility. That's okay for peak loads. But when you start building your basic load out of that,

then I think your fears are well placed.

Mr. Sharp. If that price stays up, that's going to change rapidly in the electricity sector, too, so that projection is going to have to change. Unfortunately, there's no quick way out. But prices are moderate, but still not enough. And they're expected to go down. And the hope is, one of the things that the industry is dealing with that we think, and Mr. Cavaney knows better, is that the whole cycles in which they store have changed now, so that probably we're going to see storage in the spring and the fall in ways we never did before, we used to see it in the summer as the industry adjusts to this. That should be useful, but that doesn't solve the problem.

LEASING DELAYS

But one thing is, there had been a lot of delay in leasing. There's Lease Sale 181 out there right now that should be decided by December. Either you do it or you don't. But those are the kinds of things that would always get delayed, two, four, six, eight years in the absence of a crisis. That sale alone would take a few years to develop. But that one loan will add a major new increment of gas supply for the United States. Not enough to cover all our needs.

OIL EXPLORATION BUSINESS

Mr. Cavaney. I'd like to add just a little more insight on this. Basically, the oil exploration business is a cash flow business. If you've got the money, you drill the next well. People forget that in 1997 and 1998, the industry was at below depression levels, unprecedented. Had no cash, the small operators, which are the bread and butter in the U.S. of our domestic production, by and large over 60,000 of them went out of business.

So when we started to recover in late 1999 and early 2000, any of the initial money they made basically got to help pay off the bank debt, get them going, and it really wasn't until just recently we've seen the investment go back to the level it needs. We are now seeing evidence that gas production is coming back. The resource base is there to meet reasonable demand over time.

But like I mentioned earlier on the crude oil side, we are in a very tight period here, and will be in the short term. But it does not indicate that there is a real long term problem there, assuming access can be taken care of. But if access isn't addressed, then you do have another thing to deal with.

NATURAL GAS ALONE NOT THE ANSWER

Mr. Moore. If I could add to it again, again, it's making the mistake, when you look at gas, of thinking there is one miracle fuel that can solve all our problems. Gas ain't it. And there isn't any other one, either.

So you have to keep that in mind. The proponents of gas would have you believe all we have to do is drill more gas, get some more gas and that will take care of all our problems.

COAL USE

Mr. Peterson. Well, in America, we are some 80 percent self sufficient with gas, and we have 40 percent of the coal reserves of the world. Can we work our way through this without stopping the decline of coal use? I mean, coal's gone down. Can we continue to just let coal slide?

In Pennsylvania, if you were a smelter and you used a lot of fuel, and you had the ability to use gas or coal, if you didn't use your coal in 12 months, your permit was canceled. That was a Pennsylvania problem. So people who would have went back to coal when these gas prices came, maybe could have stayed profitable. The energy consumption right now of coal to gas is \$1 to \$6. That's a huge differential.

And does any of our clean coal technology focus on smaller companies, or is it all on power generation?

Ms. Hutzler. Well, first of all, our coal share is going down, our forecast. But in absolute values, it's going up. We're getting more out of our existing coal plants, and we are forecasting some to be built in the future.

COAL VS. GAS

But the reason why the gas is favored right now is that the capital costs for a combined cycle gas plant are about half the amount of a coal plant. And in deregulated markets, the smaller capital cost is preferred, because of the riskiness of getting the capital, number one, also because of the time to build. A gas plant can come on-line much quicker than a coal plant.

Also in terms of the permitting, you can get permits for the gas quicker than coal. Then you've got all the environmental uncertainties for coal. If you're going to do something on the carbon side, the only way we can deal with carbon today is that you have to switch fuels. There's technology to deal with it today that's cost effective or that's even totally there in terms of doing the job.

Then there are lots of other uncertainties in terms of coal regulation dealing with mercury, additional SOX/NOX that just put it into an uncertain environment compared to gas.

HYDROELECTRIC REPERMITTING

Mr. Peterson. I guess one quick final question, and I'm over my time, Mr. Chairman. Why is it difficult to repermit a hydro plant? [Laughter.]

I'm speaking of environmental threat, to pollution and to--
--

Mr. Dicks. In the northwest, for example, you've got all kinds of other environmental issues that they want addressed by the hydro facility. Maybe they weren't addressed initially. You have salmon issues, you've got a whole series of issues that make it much more expensive to get it relicensed. That's why the companies, then, are caught in this dilemma. If they relicense it and it's two or three times as expensive as existing power, that's not a very good---

Mr. Peterson. But the vast majority of our hydro does not

have salmon downstream, up or downstream.

Mr. Dicks. In the northwest----

Mr. Peterson. In the northwest, but I mean, in the rest of the country, that's not a problem. If we can't work our way through hydro power being relicensed, I think we're going down the chute, in my view. That's my own personal view.

Mr. Dicks. I think we have 7,500 megawatts out there that's at risk.

Mr. Skeen. You're right, it's over.

Mr. Peterson. Thank you very much.

Mr. Skeen. Mr. Wamp.

NATURAL GAS PROFITS

Mr. Wamp. Mary, you say we have tight supplies on natural gas, and a lot of discussions have centered around that being related to the spike in price. But several distributors and local government officials just brought me some data three weeks ago, showing a doubling of profits on natural gas for a lot of people in the energy sector, between last year and this past year. I just wonder, we have a GAO study underway right now, if you're saying it's totally tight supplies, or if an industry or sector of the industry said, we have no new coal-fired plants under construction, we have no new nuclear plants under construction, so we are becoming the only game in town and we're going to take some profits.

Can you say at all that there's any kind of unreasonable cornering of the market going on here, because we've had the environmental policies and frankly, an unbalanced energy production field over the last several years?

Ms. Hutzler. We've done just a small piece of analysis and this is an aggregate to statistics. But when we looked at the amount of drilling going on, once prices picked up for natural gas, drilling did go up substantially. There are a huge number of rigs out there, more than we've ever seen before drilling for the gas. We've looked at the price relationship and the drilling relationship, and we find that they correlate very well.

PRICE AND DRILLING RELATIONSHIP

When prices are high, exploratory drilling and development drilling correlate in terms of a three year rolling average price. But you're going to be getting into the drilling that's more certain in these types of markets.

So the drilling has actually been going on, and the investment seems to be taking place for that drilling. Production, though, seems to have lagged behind demand. It could be that we're just seeing very huge demands and even with the amount of drilling going on, we're just not keeping up with the production to keep our storage there and meet the need.

DYSFUNCTIONAL MARKET

Mr. Wamp. Mr. Dicks called it a dysfunctional market a few minutes ago. If you don't have other generation capacity in the marketplace, you end up with a dysfunctional market, where you

don't really have the competition to hold everybody in check in terms of pricing, right? Some of you are shaking your head. You agree with that?

Mr. Sharp. Yes. If we don't have sufficient generation you get too tight, you've got problems. If we've got distribution problems, we've got all kinds of problems.

DIVERSITY OF SUPPLY

Mr. Cavaney. I think, and we work very closely among all my colleagues in the other energy producing sectors, the one lesson to learn is that you need all the energy you can get. Surprising enough, it's relatively fungible, because there's a lot of entities that have fuel switching capacity. So when natural gas gets tight, sometimes they can go use residual fuel to offset it, or some of them can switch over to coal. There's even the biomass that's used, particularly in Henson's industry.

So I think reliance on anything is risky, and that's why one of our key views is we ought to get diversity of supply. The more diversity you have, I think the more options that you have and the better protected the consumer is at the end of the day. We need all the energy sources we've got. So we ought to be shepherding all of them towards more efficient use and more practical use.

ENERGY DEPENDENCE

Mr. Wamp. Let's talk about that for a second. Last year, we had hearings, and I can't remember the exact figure, somebody in the room probably knows it, it's something like, for every 3 percent reduction in demand in our country, you will see a 25 percent reduction in price for energy. It's so out of balance. There's no other sector of our economy that has those kinds of ratios.

But it's something like a 3 percent reduction in demand. We heard this over and over again last year. Anybody remember the exact numbers?

The Department of Energy kept coming in for our hearings last year, and that one figure blew me away, and I don't have the hard data. But it's an incredible number, because we're so dependent that prices are inflated artificially because we're so dependent. When you look at this balanced approach, what is the science behind it?

ENERGY BALANCE

Mr. Peterson talks about these huge coal reserves. What about the science behind the supply that we have control of, Kazakhstan? I think they have more petroleum now that maybe it will throw some into the mix globally and increased supplies.

What's the science behind the balance that we're going to need to achieve over the next 10 years in terms of supplies that we can tap, versus Hinchey's desire to have energy conservation, renewables. If you had five, you'd say 20 percent each? What is balance? Is it arbitrary, or is it that everything needs to be involved? Or should we say we have such

coal reserves that coal is going to be the primary driver of our resources because we have those natural resources?

Mr. Cavaney. I think at the end of the day, one of the things we've learned in the energy industry over several decades is, you really have to rely on the market to come up with that ultimate answer. There isn't a formula that will get you there.

But what I think Congress can do, we've talked about before, if Congress can help remove some of the obstacles, whether it's hydro, like we talked about, or whether it's coal or whether it's natural gas, you can help remove, so that those particular energy sources become their most efficient. Then, among those most efficient, the consumer will make the choice and obviously benefit. But too often, it's these obstacles that are there that cause the problems.

ECONOMICS

I'd like to comment on the price phenomena that you talked about, it's a classic economical response. Whenever you're dealing with a commodity, the prices always determine if the demand is there by that last increment that you bid for. So you get changes in supply and it has huge impacts on the cost. You'll see it in agricultural products, you'll see it in our products and any other classic commodity.

KYOTO TREATY

Mr. Wamp. CNN News said yesterday that the Bush Administration has abandoned the Kyoto treaty. Last time I heard, the treaty failed in the Senate unanimously, so you can't abandon a treaty you never agreed to. But you show an increase in fossil production in the future. What would the Kyoto accords or the protocol do to that production line out to year 2020? It would sharply come down, would it not?

EMINENT DOMAIN

One closing argument. You said about eminent domain. Let me respectfully say, in my part of the world, the arrogant abuse by the natural gas industry of eminent domain is not well received among private property owners. And if you want electricity, to use FERC eminent domain in the future, tell them there's a good way to go about running over people's property and there's a bad way. You show up and you tell them what you're doing, you don't just do it, and you're so arrogant that you say, I have the right to do this and we'll tell you about it the day before it happens. Please.

Mr. Sharp. I couldn't agree with you more. I was on the other side of this, defending constituents against FERC on a number of pipeline situations in the past, so you're absolutely correct.

But I would just remind you that if the pipeline doesn't get built, you can forget all the other discussion we're having here about high prices, about---

Mr. Wamp. We understand that.

Mr. Sharp. You know that well.

Mr. Wamp. It's just hard on those people.
I yield back. Thank you.

FORECASTING

Mr. Hinchey. Mr. Chairman, let me just ask one additional question. This has to do with forecasting. The Shell Company, which is pretty good in this business, has told us that they expect fossil fuel use to peak out in about 30 years, and then to begin a slow, gradual decline. What do you think the future looks like in the second half of this century?

Mr. Skeen. Who knows? [Laughter.]

It's a good question.

Mr. Cavaney. I'm not a practicing economist, nor do I have any data to do this. But there's enough discussion around it. If you look at petroleum, crude oil specifically, its principal market is transportation. As you transform transportation into things like fuel cell vehicles and the like, which will be a long way out, but at some point you will cross a nexus where it has in fact peaked.

That's just one company's opinion. Other companies may be off by 10 or 15 years. But I think generally the trend, sometime beyond say mid-century or later, you will see a shift here. And that's why the technologies like fuel cells are important.

METHANE HYDRATES

There's also other things. There's some incredible technology on a thing called methane hydrates, which the U.S. is essentially the Saudi Arabia in this area. These are methane gas trapped under very high pressure along our sea beds. And the technology, if you can utilize that, is a whole new area.

So there's so much time between now and then that I think that's why there's a reluctance for a lot of really hard and specific consensus data about what the trends are.

Mr. Sharp. I just really think it's critical to remind ourselves, we had projection after projection for the last 50 years on all these sectors. I think you can go probably find some of them that accidentally turned out to be right.

But the fact was that whether it was coming from industry or Government, the scenarios of pricing over five or ten years were very often wrong. The scenarios of which technologies would come into the marketplace were wrong, and it's the reason why we have to have a broad portfolio of opportunities, both in fuel and technology.

I will go back to your point of energy conservation. Between 1970 and 2000, one of the estimates is that we, through efficiency, really, conservation is not really what happened, but efficiency, saved two and a half times the amount of the additional fuels that we produced. The point is, that's a huge source of energy for us, and sometimes it's cheap and sometimes it's not. It requires capital turnover to do it.

One thing we don't know about this natural gas market, we'll find out, but if the economists are right, we should see some significant differences next winter and the winter after that and the winter after that on the demand side as a result

of these prices. Terrible, ugly and painful as they are, a whole bunch of people are making at least some decisions which will marginally add up to less demand.

Mr. Peterson. Wood stoves are selling again. Try to buy some cured firewood. You can't buy it in Pennsylvania.

Can I ask one more question? I guess on the gas side----

Mr. Skeen. This is the last one.

Mr. Peterson. Okay, sir. I'll be good. [Laughter.]

RETAIL GAS

On the gas side, my producers told me that they pre-sell most of their gas, 70, 80 percent of their gas is pre-sold. They were like \$2.75, \$2.85 a 1,000. Then we had the spikes of 8, 9 and 10 for a while. But they said their average take for the year was less than \$3.50 a 1,000 on the average.

But yet I don't know of anybody buying retail gas that didn't have a double, sometimes two and a half times increase. How did we get there? My producers didn't get it. How did we get there? I guess that's the part that I don't understand.

Mr. Sharp. It's just a matter of contracts. It depends on whether your guy had a good contract or a bad contract as a producer, as it turned out. I mean, the contracts aren't all alike. They're negotiated, they're decided upon and the traders in between, when the price was low, they took a bath, the traders in between when the price was high, they got rich.

That is the way the whole economy works, and we all wish we could control it.

Mr. Peterson. We need the traders in there. They're not in the coal business.

Mr. Sharp. I hate to be the old line Democrat that was accused of being a socialist who said, that's the wonder of the capitalist system. It usually has wonderful benefits.

Mr. Hinchey. We're all in shock. [Laughter.]

Mr. Skeen. I think at this point I'd like to place in the record a resolution from the State of New Mexico on the energy diversity issue.

[The information follows:]

[GRAPHIC] [TIFF OMITTED] T1708A.067

[GRAPHIC] [TIFF OMITTED] T1708A.068

[GRAPHIC] [TIFF OMITTED] T1708A.069

Mr. Skeen. Next I want to thank you all for coming. I look forward to working with you in the future on this difficult and critical issue of our energy policy. This hearing is adjourned, and thank you all so very much.

Thursday, March 8, 2001.

NATIONAL PARK SERVICE, NATURAL RESOURCE CHALLENGE INITIATIVE

WITNESSES

DENIS P. GALVIN, DEPUTY DIRECTOR, NATIONAL PARK SERVICE

MICHAEL A. SOUKUP, ASSOCIATE DIRECTOR, NATURAL RESOURCE STEWARDSHIP AND SCIENCE

DON L. NEUBACHER, SUPERINTENDENT, POINT REYES NATIONAL SEASHORE
JOHN TREZISE, DIRECTOR, OFFICE OF BUDGET, DEPARTMENT OF THE INTERIOR

Opening Remarks of Chairman Skeen

Mr. Skeen. Let me welcome you before the Interior Subcommittee. This is our first oversight hearing for the year. You have the honor of being the folks we are most anxious to hear from.

We have had only one change in the subcommittee. Let me welcome my friend and Congressman, Martin Sabo, but Martin is not here.

Mr. Dicks. But he will get here and he will be a valued member of our subcommittee.

Mr. Skeen. Today, we are going to hear testimony from the National Park Service on the new Natural Resource Challenge Initiative. For the last two years, this subcommittee has supported an effort to improve the deteriorating condition of the national parks natural resources. We are about to hear how we are using these funds, the Park Service resources and what systems the Park Service is putting in place for accountability so that we can measure progress over time.

Mr. Denis Galvin is Acting Director of the National Park Service. Mr. Galvin, would you please introduce your colleagues. After he makes his opening remarks, you may begin your statement.

Opening Remarks of Mr. Dicks

Mr. Dicks. First of all, I want to congratulate Chairman Joe Skeen on assuming the chairmanship of this subcommittee. He is one of our outstanding members and I am proud to be able to serve with him in his first hearing as chairman of this committee.

I want you to know I think the Natural Resource Challenge Initiative is a very good program. I do believe that we need to bring science back into the national parks in a significant way. I think this initiative is already starting to do that. We have many challenges out there with endangered species, with invasive species and with air and water quality problems.

There are many areas where science is desperately needed. Our staff has done a lot of good research on this and one of the things we have found is when the Park Service is challenged in court on the basis of decisions, their science has proven to be correct. I know it is something they are concerned about and I think this is a good start for our hearings this year because the Park Service and the condition of the parks is a national priority. President Bush made the maintenance of the parks a priority in his campaign. In the last year, the amendment which Mr. Regula, Senator Gorton and Congress adopted, which I authored with Mr. Obey, was adopted because it provided substantial additional funding for maintenance in the parks.

I think these two issues dovetail and having good science to base decisions on is something that is clearly a priority.

I am pleased to be here today and look forward to hearing from the witnesses.

Opening Remarks By Deputy Director Galvin

Mr. Galvin. Thank you, Mr. Chairman; thank you, Mr. Dicks.

I am accompanied this morning at the table by Dr. Michael Soukup who is our Associate Director for Natural Resources and by Don Neubacher, Superintendent, Point Reyes National Seashore because one of the things we want to emphasize here is this is a field and park oriented initiative.

Also here this morning with me are Sue Masica, Associate Director for Administration, Bruce Sheaffer, Comptroller, Doug Morris, Superintendent of Shenandoah National Park who can provide some local examples of the effect of the support of this committee in the last two years resulting in the natural resource challenge.

Budget Initiative

Mr. Dicks, you did mention President Bush's blueprint and his budget initiative. I want to point out that in that initiative, the blueprint budget funds this initiative, the Natural Resource Challenge, and ``increases the National Park Service operations by \$20 million to accelerate inventories, control non-native species, and preserve endangered and threatened species habitat on park lands.'' I think that one sentence adequately summarizes what this challenge is about.

This budget is the third year of a five-year action plan focusing on natural resources of national parks and it is designed to increase our understanding of those natural resources. It does not detract from our commitment to visitor services and our commitment to provide recreational opportunities. The scientist E.O. Wilson has said we need to come to recognize the natural resources of this Nation as part of our heritage just as we do our historic and scenic resources in the parks.

PURPOSE OF THE INITIATIVE

As Mr. Dicks pointed out, part of this initiative is to be better able to explain and document our decisions both in court, to the visiting public and to society at large. To do that, we must understand and actively manage natural resources.

To quote some facts, 2.6 million acres of the national park system now have invasive weeds on them. The Natural Resource Challenge is designed to actively attack those invasive weeds. One of the purposes is to achieve scientifically sound management of the parks and 90 percent of this money actually winds up in parks. We also want to make parks more friendly to the scientific community at large, to provide scientific information at low cost and use the parks as scientific laboratories.

I think you have all heard the story, but it was research on a bacterium from Yellowstone National Park that resulted in the laboratory technique that made DNA copying practical, that underpinned the DNA fingerprinting techniques attributed to the success of the human genome project. We do not know what else is out there that is of value to society in general and this Natural Resource Challenge is a small step in the direction of

finding that out. This is a partnership initiative and we expect to have elements of the initiative directly oriented towards educating the public about natural resources.

I would be remiss in not thanking the subcommittee for the support it has provided in the last two years. You have funded generously requests made for this Natural Resources Initiative and this morning we can report on what those funds have done for this initiative of the National Park Service.

U.S. Geological Survey/Biological Resources Division

I want to assure you that this initiative was designed with the Biological Resource Division of the Geologic Survey in mind. In fact, it was designed with their active participation. If I were to simplify our relationship, this initiative depends on the Biological Resource Division to provide research information. This is not a research initiative. While it is based on science, it is used for resource management in the national parks. So this is work largely done in the parks but it depends on research information done by others, the Biological Resources Division and a network of universities in which the Biological Resources Division is a part.

EXOTIC AND INVASIVE PLANTS

There are a number of examples of what we have done with the funds you have generously provided in the last two years. We have decided to attack exotic and invasive plants in the national parks, not on a park-by-park basis, but by establishing a series of inner park exotic plant management teams. With the fiscal year 2000 funding, we have established four teams around the country. They will attack the worst weed problems in 41 parks, or 11 percent of the parks in the system.

COOPERATIVE ECOSYSTEM STUDIES UNITS (CESUS)

We have established 10 interagency Cooperative Park Ecosystem Units at universities throughout the United States. While there are 10 major units, this is a network of 70 universities which provide a wide range of information to park managers to enable them to run parks on better information.

This network of universities provides more than just biological information. The network based at the University of Montana has provided a study of the public perception of wildlife issues at Yellowstone, a peer review of the elk management plan for Rocky Mountain, and a lynx study at Grand Teton. The Colorado Plateau Unit based at Northern Arizona University at Flagstaff has 50 projects up and running.

LEVERAGE FUNDING

The money that you have provided has also enabled us to leverage funding from others. For every dollar that we are spending on eliminating exotic plants in the State of Florida, the State has provided a dollar, and \$1.75 million in challenge funding for vegetation mapping is being matched with U.S. Geological Survey funding, they do the mapping for us, and \$1.2

million in fire management funding because the Wildland Fire Initiative has a need for good vegetation maps. We have a need for good vegetation maps and the Geological Survey is in the business of creating maps, so this initiative with funds coming from all three directions enhances and accelerates our ability to provide good vegetation mapping.

LEARNING CENTERS

We have established a network of learning centers. One thing I would like to emphasize about the learning centers is this is not a building program. The funding that comes from this initiative simply provides people to each park. The learning centers are competitively selected. Don Neubacher, when I conclude my remarks, will be able to tell you a bit more about his learning center. It uses existing buildings and the idea of the learning center is to have a place where the research function done by the universities and BRD are housed in the main building as the education function, where local schools, universities and elder hostels can come and learn what the researchers have found out about the various parks.

One of the first five Learning Centers is located at Point Reyes National Seashore. That is in an existing historic building. Cape Cod National Seashore's Learning Center will be housed in a building we recently acquired from the Air Force at a radar station that has been shut down. Rocky Mountain National Park Learning Center is on a historic ranch. Great Smoky National Park recently was given a property whose value is about \$2 million. A private couple gave Purchase Knob property which included buildings to the Great Smoky Mountains National Park to establish the learning center. The one in Alaska at Kenai Fjords will be at Alaska Sea Life Center which is in an existing facility.

Some of the other programs that have been undertaken which are high priority programs are a three-year program of intensive lake trout gill netting to reduce exotic lake trout to a manageable level to preserve the native Yellowstone cutthroat trout population, one of the great populations of the world.

The exotic plant management teams I mentioned are stationed at Rock Creek Park and Carlsbad Caverns National Park, and I paused there, Mr. Chairman.

Mr. Dicks. You paused on the Great Smoky too, I noticed.

Mr. Galvin. Haleakala National Park and Florida International University serving Florida parks.

RICHARD SELLARS' BOOK

I see many of the members have Richard Sellars' book in front of them. That book is a very objective history of natural resource management and science in the national parks and it tells a story that this organization should not necessarily be proud of. I think we have had consistent failures, inattention, lack of consistency and accountability in this program throughout our history. The Natural Resource Challenge sets out to correct that and in fact, we have instituted a series of competitive programs, you have required annual reports which we

will provide. Each park is required to do an annual report if they get money from the National Resources Challenge.

[The written statement of Mr. Galvin follows:]

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[GRAPHIC] [TIFF OMITTED] T1708B.002

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[GRAPHIC] [TIFF OMITTED] T1708B.005

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I think I will turn now to Don Neubacher who can give you the perspective of a park superintendent and the place of the Natural Resource Challenge in his park in the overall scheme of running Point Reyes National Seashore.

[The justification follows:]

Point Reyes National Seashore Learning Center

Simply put, the Challenge has allowed me to greatly enhance the park's resource management capability and strategically build a base of resource information for good decision-making. The park's new learning center will leverage outside support from universities and provide cost-effective research, and also give the park the capacity to share with the public the science information we gather from research projects. The Challenge has also provided us with funding to complete our basic resource inventories and it has given us access to funding for critical resource projects. Most importantly, the Challenge has stimulated new and creative ways of sharing--resources and workloads--among parks in my area and with outside groups, and it holds the promise of one day providing us the ability to systematically monitor all our critical natural resources (vital signs) over time to ensure the long-term preservation and health of the park.

NEED FOR THE NATURAL RESOURCE CHALLENGE

Mr. Neubacher. Thank you very much and thanks for the honor of coming to the committee today. I'm in from California where we had a major storm over the weekend, so I am happy to be here in sunny D.C.--and our lights were out in over 50,000 homes in California over the weekend.

What I want to do is elaborate a little bit on Mr. Galvin's comments, highlight some of the goals and objectives of the Challenge and also give you a bit more detail of the four major programs found in the Challenge.

I do want to start by saying as a Field Superintendent, I administer about 100,000 acres in Central California. I want to state, and it is sad that to a certain extent, we have not been the best stewards of the natural resources of the park areas. I am representing many superintendents on that note.

I can give you example after example of lost ground in protecting America's parklands. For example, in my park over the last 10 years, 30 percent of all the plant species are

exotic and those infestations are increasing. The good news is that the Natural Resources Challenge is giving us the capability to fight off those species.

The main reason we have not been good stewards is that most superintendents do not have the resource tools, adequate resource management capability, and good information to make good decisions. That is what this Initiative is all about.

BUSINESS PLAN INITIATIVE

The other thing we have is a public or constituency that is becoming more and more interested in the rationale behind our decisionmaking. They love parks and they want us to make the right decisions regarding parks overall. By the way, this subcommittee was very supportive of the business plan initiative that we did for 27 parks. That initiative showed us that the biggest gap in funding parks was in the resource management arena between where we are now today in terms of funding and where we should be. The resource management gap was bigger than our infrastructure needs, our visitor service needs and other needs the Park Service has. Resource funding is the biggest need that was demonstrated in the business plan initiative.

For me and many other superintendents, the Natural Resource Challenge is the initiative or program that will give us the capability to ensure the future ecological integrity of our park. It has broad-based support and I am hoping most of the superintendents in your districts are supportive.

The reason it is based in support is the fact it was developed by the field. Many superintendents got together with many resource managers three or four years ago and we put 250 people together in work groups and created this Natural Resource Challenge. So everybody had a hand in developing the best possible techniques, the most cost efficient and strategic techniques for getting our resource problems on the way to being solved. Basically, it is my belief it truly gives us what we need to get the job done.

We have given you a few handouts and I want to go through some of the goals of the National Resource Challenge and I will go through the four major program areas.

GOALS

The first chart illustrates what I call the guiding principles or goals that came out of these work groups we put together four years ago. The first goal we need is to have resource inventories. I would say most parks, if not 90 percent, do not have the datasets, soil maps, or vertebrate inventories to actually manage their resources carefully. They do not have the basics and last year in fiscal year 2000, you funded resource inventories and now we have the potential to get all those done in seven years.

The information follows:]

[GRAPHIC] [TIFF OMITTED] T1708B.007

MONITORING PARK RESOURCES

The other thing we want to do is monitor those resources. For example, we need to know if wildlife populations are going up or down and whether species are in good or bad shape. For example, that can be good news in many cases. In my park, I have red-legged frogs that are a listed species. We found out based on some inventory work and monitoring data that frogs are very healthy in the park and it gave us the ability to move forward on a lot of properties with visitor services projects because our frog populations are in pretty good shape. We have one of the largest populations of red-legged frogs anywhere, in California.

RESTORING DEGRADED RESOURCES

Another one of the major goals is where we can restore degraded resources--some parks have former mines, former quarries, and we also have some grazing in parks that we want to change a bit. Because of resource impairment, we want to restore these resources and we have specific programs budgeted to get these things accomplished.

SOUND SCIENCE FOR EFFECTIVE RESOURCE MANAGEMENT

The third and maybe the most important element or goal of the challenge is to have sound science for resource management. More and more we are getting lawsuits and questions about our ability to make good decisions and the rationale behind these decisions. Let me give you another example.

We have Tule elk in Point Reyes National Seashore. We have one of the largest herds left anywhere in central California. We held a public meeting to restore Tule elk to our wilderness area. At the first meeting, the public was overwhelmingly negative about doing this and we had to back up, get some good science and years later we came back to the public with information on population dynamics, home ranges and all the possible impacts. In the final meeting, we had overwhelming support from the local and regional communities because we had resource data we could share with the American public.

OUTSIDE RESEARCHERS

The other thing we are trying to do in the Challenge is work with outside researchers. We have not been that good in the past in bringing researchers from institutions, getting them to do work in our parks, and giving us the information we need. That is a major goal or challenge.

Another thing we are trying to do is ensure that all the resource information we have, using different communication techniques is shared with the American public.

PARAMETERS FOR SUCCESS

The second chart illustrates some of the parameters for success. I want to say strongly this is a very strategic approach over a five-year period. For example, the inventories come before most of the monitoring. Being systematic will ensure that at five years and further, we will have

accomplished everything we want.

[The information follows:]

[GRAPHIC] [TIFF OMITTED] T1708B.008

We are also trying to leverage funds from private and outside sources. For example, I met with a major foundation in California to use private funds to fund a lot of our coastal monitoring programs. I do believe we will receive the funds from that major foundation.

We are trying to ensure there is competition in proposals that are submitted for Challenge funding. For example, Mr. Galvin mentioned the exotic management teams. Here is a proposal we put together for California that represents 14 parks. It is about 100 pages and gives you an idea of how sophisticated the proposals need to be to actually get the funding.

[The information follows:]

Exotic Plant Management Team Proposal Summary 14 California Parks

The proposed California Exotic Plant Management Team would be hosted by Point Reyes National Seashore, due to its central location relative to other participating parks, the strength of its existing exotic plant management program, and its ability to provide housing and other logistical support. Partner parks benefiting from the proposal include: Corbel, Devil's Postpile, and Muir Woods National Monuments; Gold Gate, Whiskeytown, and Santa Monica National Recreation Areas; John Muir National Historical Site; and Channel Islands, Lassen Volcanic, Redwood, Sequoia and Kings Canyon, and Yosemite National Parks. The parks represent all parks within the San Francisco Bay, Mediterranean, Sierra, and Klanmath Inventory and Monitoring networks. The region is a hotspot of biodiversity that is at risk due to the invasion of exotic plants. The proposal is to focus on 33 highly priority exotic taxa and remove particularly critical plants that cannot be removed by existing park personnel or volunteers. The 13-page proposal and its voluminous appendices describe in detail the existing exotic plant species invasions and control effort of each of the park units, contributions of partners, proposed program organization and operations, proposed budget, targeted species and control methods, and relationship to each park's strategic plan performance targets. The proposal is for approximately \$303,000 to \$3,000 per year over five years.

[The Biography of Mr. Neubacher follows:]

[GRAPHIC] [TIFF OMITTED] T1708B.009

Mr. Skeen. Let me interrupt you there.

I would like to recognize Mr. Regula who was the Chairman of this committee. We owe him a great deal and thank you for being here this morning.

We are going to vote and we will be right back.

Mr. Regula. Mr. Chairman, I would like to put some questions in the record.

Mr. Skeen. Fine.

If you will excuse us.

[Recess.]

Mr. Skeen. Let us go to questions.

Mr. Dicks, do you have any questions?
Mr. Dicks. Thank you, Mr. Chairman. I appreciate your kindness.

PROGRAM AND FUNDING ACCOUNTABILITY

I want to thank you all for your testimony. I think it gave us a good overview of the program.

Let me ask you this. At the end of the five years, you are going to have this program. Will that be 2003?

Mr. Galvin. 2004.

Mr. Dicks. How are you going to insure that this program stays in place and that we do the appropriate monitoring? There have been initiatives in the past and there was a lot of enthusiasm and all of a sudden, the money is added to the base, the enthusiasm fades and the superintendents do what they want with the money. How are you going to make sure this is implemented and you stay with it so we do not have to come back here in another ten years and say why did this fall apart?

Mr. Galvin. That is a very good question, Mr. Dicks. It is a question that we wrestled with when we were designing the Natural Resource Challenge. I am going to let Dr. Soukup answer most of it.

With respect to your specific question about monitoring, which is one of the most difficult things to do, inventorying is a big job but not a difficult job. It is just a job that takes a long time and is labor intensive. Knowing what to monitor is a good deal more difficult. I think the principal answer to your question on that is that we intend to monitor via a network of parks as opposed to monitoring everything in every park. Within the sort of general systems of parks, what you are monitoring in the Sierras or Cascades of the West Coast has some relationship one park to another, so some of the money is being distributed on the basis of networks, not on the basis of individual parks.

Dr. Soukup.

Dr. Soukup. I think there are two parts to the answer. The first is sort of a strategic approach.

We hope that park superintendents will sort of broaden their perspective with experience in this area. We think that success in this area, and the success with new information, and understanding what we have and what it is doing will become part of our culture as visitor services has been for so long.

Failing that, we are carefully managing the money. We are holding some money out of park bases and looking at annually what parks are spending it for. So we are sort of tracking the money and keeping it in a more centralized pool that goes to parks, and with achievements continues to go to parks in perpetuity as long as the money does not drift to other activities.

With that sort of two-pronged approach, we think it is going to stick.

[Biography for Dr. Soukup follows on page 156.]

Mr. Dicks. I would like to hear from a superintendent. How are we going to make sure we keep this going? If you don't have a database in every park, how are you going to keep it going? I do not like this idea of a generalized approach. I think you

have to do it park by park. Each park has to have a database, each park has to keep their monitoring up, and use the money they get to maintain the system. Isn't that the way you should do it?

NETWORKS

Mr. Neubacher. No, you are correct. Let me tell you why we are doing it from the network approach. There are a lot of efficiencies or economies of scale. For example, if you are going to do bird inventories, it is better to have one contract with eight parks rather than eight separate contracts. So it is efficiency of scale. Each park is going to have its own bird inventory but then it is a network approach of getting that done. Again, these are based on bioregions, so the contractor you hire will be the one that is most knowledgeable about this particular region. You get an economy of scale by having one contract and forcing park superintendents to do it together overall.

CONTRACTING

Mr. Dicks. So you are going to contract this work out instead of being done by Park Service personnel or by USGS?

Mr. Neubacher. It could be done by USGS or BRD if they have the expertise in that particular area. A lot of parks, including mine, are using either universities or other nonprofit groups that might have expertise. For example, in my case, I have the Point Reyes Bird Observatory, a nonprofit group. They are very good and they do work on the entire West Coast. They are the most talented group to get the job done. They are actually very reasonable on top of that.

STAFF BIOLOGISTS

Mr. Dicks. You do not have biologists on your staff that do some of this monitoring?

Mr. Neubacher. Yes, we do. I have a science advisor and that person brokers with different institutions to get the best possible proposal and best product for our park, so I have staff. I need expertise next to me that will make sure we are getting these products done well and that we get good data from a lot of these contractors.

PARK RESOURCES INVENTORY DATABASES

Mr. Dicks. Are you going to have a database?

Mr. Neubacher. Yes.

Mr. Dicks. With all this information?

Mr. Neubacher. Very much so.

Mr. Dicks. Are you going to update it each year?

Mr. Neubacher. That is correct. That is why I need staff on the park level too.

FIELD LEVEL FUNDING

Mr. Dicks. How much money do you get for your park?

Mr. Neubacher. On resource inventories, our network gets--

Mr. Dicks. Under this Initiative?

Mr. Neubacher. About \$100,000 and then depending on future budgets, we have set up the strategy and our network will get about \$800,000 a year for monitoring funds.

Mr. Galvin. Mr. Dicks, looking at the big picture of some we have right now, about 90 percent of it goes to parks.

Mr. Dicks. So the money is getting out into the field?

Mr. Galvin. Absolutely, yes. The point is it does not go to park bases. That is why Don Neubacher cannot use these funds for other purposes. I think the checks and balances are there and I think we will be very accountable.

Mr. Dicks. Hopefully we will not have problems like we have in the past.

COLLABORATION WITH OTHER LAND MANAGEMENT AGENCIES

Mr. Skeen. Mr. Wamp?

Mr. Wamp. You all compared the Resource Challenge with the missions and responsibilities of the other major land management organizations--Forest Service, BLM, Fish and Wildlife, et cetera. Your role, their role, are we just now taking on a challenge that they have been more responsible for in their land areas in the big scheme of things?

Mr. Galvin. I am glad you brought up the question about the big scheme of things because it is worth looking at the role of the National Park System in that larger scheme. None of these problems can be solved without understanding that larger scheme and without collaboration.

We know that the park system is the most protected system in our hierarchy of public lands. On the other hand, we also know that a lot of the influences on the resources in those parks comes from outside the park--air quality being a good example.

We see the parks as kind of a center of a hierarchy of information that includes the other public lands, that includes academic institutions, et cetera. As the most protected system we have, it provides opportunities that do not exist in other parts of the hierarchy but the resources are common to all of those units of public lands. It is clear that collaboration is required if we are going to understand these systems and protect them.

COMPETING NEEDS AND PRIORITIES

Mr. Wamp. But the others do not have the visitors that you have. Does this compete at all with your visitor needs which obviously we hear about? You have that major challenge, and then the third question is backlog maintenance because Chairman Regula for many years continued to keep that at the forefront. How does this investment compete with backlog maintenance, or does it help us solve that problem over time because we are better stewards of our resources? How does it compete with visitors' needs and how does it get into the backlog maintenance area?

VISITOR SERVICES

Mr. Galvin. To talk about visitors, I think there is an enormous opportunity here. We have been doing a lot of talking to various people--the Smithsonian, the National Endowment for Humanities, people like Peter Raven and Dr. Wilson at Harvard--and they are excited about the people who come to national parks and the opportunity it provides for the National Park Service to inform the public about issues like biodiversity, about natural resource issues that are illustrated in parks. They are also excited about the hands-on educational opportunities that these parks provide for what is called informal learning opportunities.

We have active programs with schools. This Initiative includes active collaborations with universities. So we do not see this as inimical to our visitor services mission. If you look at our history, we have become a very good visitor services agency. That gives us a lot of trust in the public.

We know from surveys we have done that the park ranger is a very positive image for the public. So we view that as an opportunity to get people engaged in resource management, to get them to understand the resource management problems and we are not anxious to trade away that trust and good feeling that the public has with that.

BACKLOG MAINTENANCE

With respect to the backlog problem, President Bush's first budget is very generous. In fact, its major focus with respect to the park system is the deferred maintenance backlog and infrastructure problems in the parks. Before you came in, Mr. Wamp, I noted that in his budget blueprint, he specifically mentions this natural resource challenge. Just to talk big numbers, this is \$20 million and the infrastructure problem is being addressed at over \$400 million. So I do not think this is a significant impact on our ability to handle infrastructure problems.

GREAT SMOKY MOUNTAINS NATIONAL PARK

Mr. Wamp. I would point out in closing that there is probably not a greater example of the conflict between resource issues, species, the environment and the visitor problem than the Great Smokies because the visitor traffic is so high, because the environment is degraded by automobiles that wait in line for four hours to get in and out of the park at the peak season, because the species are actually being lost. It is a real problem.

I applaud the Initiative and look forward to supporting it in the coming years through this subcommittee's activities. Hopefully in the summer of 2002, the entire committee will come to the Great Smokies. That is my goal here, and make that our summer focus of next summer in 2002 to come east and come visit.

Mr. Galvin. I am glad you mentioned Great Smokies because I think the visitation is very heavy there, but it remains an extraordinary biotic system. You know we are doing this biodiversity inventory down there which is an attempt to find

out virtually everything that is in that park.

One of the real exciting things about that project is a lot of it is being done by local school kids. Glen Bogart, the principal of the nearby school, has a program that between kindergarten and the eighth grade brings those kids into the park 50 times. I think it is a wonderful example of how you can use this challenge, and our efforts to understand the resources better, directly in a local school system and get an engaged and well informed populace as part of the whole park system there.

Mr. Wamp. We will meet at Purchase Knob.

Mr. Galvin. I mentioned Purchase Knob before you came in--a \$2 million property donated to the park to become a learning center.

Mr. Wamp. Thank you.

Mr. Skeen. Mr. Kolbe.

Mr. Kolbe. Thank you and I am delighted to be here at your first hearing, Mr. Chairman.

RELATIONSHIP WITH THE USGS, BIOLOGICAL RESOURCES DIVISION

I would like to ask a few questions about the work you do and the relationship you have with the Biological Resources Division of USGS. If my memory serves me correctly, we created that a few years ago, or it was created a few years ago in order to try to give some independence to the biological work being done and remove park managers from the decisionmaking process so there would be truly independent, scientific decisions. I think that is a fairly accurate statement of it.

In light of that, and you have had enough time now, how would you characterize the relationship you have with the division?

RESEARCH AND RESOURCE MANAGEMENT

Mr. Galvin. I am going to let Dr. Soukup elaborate on this but I think the simplest way to define our relationship is we see BRD as a source of research. This is not a research initiative. We do not expect the National Park Service to be doing research. We consume research which we need scientists to do. We need people who understand and can evaluate research but we still look to BRD to be the source of research.

The Chief Scientist at BRD has been actively involved in the design of this initiative and BRD staff members sit on the board of these various competitions that we use to award money to parks, so we do not see this as being inconsistent with the existence of BRD.

Mr. Kolbe. BRD is the research, is that what you are saying?

Mr Galvin. Right.

Mr. Kolbe. And your natural resource challenge is?

Mr. Galvin. Is mostly on the ground. It is identifying plant and animal populations in parks, monitoring their health, attacking invasive species, developing a series of relationships with universities so we can get low cost research, not necessarily to solve park problems but to find out things about parks.

Mr. Kolbe. Sounds a lot like research to me if you are monitoring and gathering data.

Mr. Galvin. Mike can speak more eloquently.

Mr. Kolbe. To include in that, are you going to make sure you do not have duplication? How are you going to avoid duplication? Have you given some thought to that? Have you had some discussion with BRD as to how you are going to avoid the duplication?

Dr. Soukup. Yes, we have had a lot of discussions. In fact, many of the early discussions when BRD was formed as NBS originally, those discussions took place intensively. The idea of the division of labor was fairly carefully drawn. I will give you an example of inventorying and monitoring.

MONITORING AND ROLE OF BRD

On the monitoring front, BRD designs the protocols, they do the research and they pull together the research that is known about any particular parameter or any special thing that seems to be important to look at in terms of how we are managing our parks and whether the parks are doing well or not. To be monitoring is a bit of a performance management system. We need to know how we are doing. We cannot go into the arenas we do saying we manage whatever it is we have, we think. We have to know what it is we have and how it is doing. Monitoring is the tool for doing that and we go to USGS for the protocol development. They tell us how to do it, but the day-to-day or weekly sampling, it is not cost effective to do it any place else but in the park and by park staff.

They agree with that. Their research potential is not enhanced by having to do the routine stuff. It is really not fair to ask them to do that. They understand that.

Mr. Kolbe. When USGS appears before this same subcommittee, do you feel confident they will give us essentially the same answer?

Dr. Soukup. I believe so.

Mr. Kolbe. So they have told you they support what you are trying to do? Do you think it complements what you are doing?

Dr. Soukup. The whole design is to make us better partners with them. I believe they will testify and have testified in the past to that effect. We are very interested in maintaining a very, very close and tight relationship with them. We have an investment in them and are anxious to maximize that investment.

CESUS

Mr. Skeen. Mr. Peterson.

Mr. Peterson. How do the cooperative ecosystem studies work?

Mr. Galvin. Again, I will let Dr. Soukup answer most of that question but first, it is an interagency effort, not just the Park Service--BLM, Fish and Wildlife Service, BRD are usually involved. They respond to a request for proposals, the universities do, that is published in the Commerce Business Daily and are selected in a peer review by the responsiveness of their proposal.

Dr. Soukup. It also relates back to the previous question.

Part of the design was to ensure that we had daily contact with BRD, contact with their researchers in a college and university atmosphere to look at research agendas in a joint fashion. We feel we need to be at their side so they do not lose interest in us over time and help us craft an annual research agenda.

We invited the other land managers and the other science agencies like EPA, and so forth, into actually going to those campuses and being a part of the Federal team that looks at the Federal research agenda jointly so that we can avoid duplication, look at issues from a holistic point of view and maybe start to practice our Federal land management in a more cohesive and coherent fashion.

COOPERATIVE ECOSYSTEM STUDIES UNITS COORDINATING COUNCIL

Mr. Peterson. Is it basically by request or is there a prioritization of those requests?

Dr. Soukup. We have a CESU Coordinating Council and all of the agencies who have joined the effort are on that council. They have established a strategic plan of how they would like to fill out the system. Each agency has the option to join any individual unit at their own discretion. Some agencies are interested in many of them and some only one or two. So we have sort of a strategic approach with a lot of flexibility in any given situation.

Mr. Peterson. But you are not necessarily going to do what is requested if this group does not prioritize it?

Mr. Neubacher. No. We have a general framework and we may not do all of them in this framework. Each agency has to decide whether or not they think it is in their best interest. We set the priorities in our network for the research we need to get done.

If we go to the CESUs, we have already negotiated the overhead rate and they have a list of universities so that we can quickly do a cooperative agreement with that university and get that person on the ground. They know the expertise, of all the possible researchers and the most talented and cost effective researcher that can come and do the job.

FUTURE CESUS

Let me give you a specific example. The University of Washington is one of the future CESUs. We have sort of an acting broker that is working with that university. I went to them and said I needed expertise on the history of Marconi Communications Systems. We have two potential national landmarks in Point Reyes National Seashore but we do not know a thing about Marconi, to be honest with you, so we had to get the additional expertise. We didn't even know who to talk to. Then we found out the University of Washington knew exactly who to talk to. They brokered the contract for us and now we have an expert at Point Reyes giving us the information to tell us what we need to protect this historic resource over time.

Mr. Galvin. I think Don's example points out we get more than biology from the CESUs too. We use them for history, archeology, zoology and other things.

UNIVERSITIES AND CESUS

Mr. Neubacher. Basically, it is another tool for me to get to the right person to get the job done effectively and efficiently. We have had a bottleneck in the past of getting good research accomplished. We are finding the universities are giving us pretty good products for a very good price, rather than just straight private contractors. So we are going to a lot of public institutions and finding it very cost effective in my opinion.

Mr. Peterson. It is an educational project for them that is a win-win, right?

Mr. Neubacher. For example, sometimes if we can just give them office space, a laboratory and a place to live, they will come out and do the research. It is another way we are brokering research through the CESUs. I think in the end, we will get a hundredfold increase in research just by having these different tools available to superintendents to get the science accomplished.

IMPACT OF CESUS IN PARKS

Mr. Peterson. Give us an example too of how it really impacts a park.

Mr. Neubacher. On the Marconi example, again, we are now getting the National Register nomination done, we are learning which things we need to save over time so we can preserve it correctly. Until recently, we were floundering about, all this equipment given to us by MCI and RCA and what we really needed to do with it. Now we are getting information that tells us exactly what is important to save and preserve.

Another example of what we are getting through different institutions is research information. I mentioned the red-legged frogs before. We are using different institutions on that project. They are doing work for us, getting it accomplished and then letting us know what we can do in the park, whether it is development or visitor services, so we are not impacting the frog. I think it is going to be a great tool down the road. It is just unfolding at this point in time.

Mr. Peterson. Thank you.

Mr. Galvin. Just for the record, there are currently eight of these around the country and they include a network of 40 partner universities. Some of the lead universities on the Colorado plateau are Northern Arizona University in the desert southwest, the University of Arizona, Great Plains is hosted by the University of Nebraska; the North Atlantic Coast at the University of Rhode Island; the Pacific Northwest at the University of Washington, the University of Montana, Miami, Tennessee and as I said, in addition to that, there are partner institutions, as many as 12 associated with some of these. So you can really go to the particular expert in this larger network of universities.

I also want to point out that BRD is on the campus as a participant in all of these.

Mr. Skeen. Mr. Nethercutt?

Mr. Nethercutt. Thank you.

Gentlemen, welcome. I am sorry I am late, we had other

hearings today.

PROGRAM PERFORMANCE AND REVIEW

I want to ask you some general questions if I may. I know for years the parks have focused almost exclusively on providing visitor services. The Congress has reacted favorably to the National Resource Initiative because for the first time, the Park Service has acknowledged the lack of a consistent, credible information base on the condition of their natural resources and that has led to resource deterioration.

How will you ensure that this change in attitude will result in measurable, on the ground results?

Mr. Galvin. To start with, the Congress has required an annual report. We intend to provide that. I noticed you have our 1999 Natural Resources Year in Review. Also, there is an element of competition that is built into this program that is new to the National Park Service. Don previously entered into the record one of the park proposals to establish an exotic plant management team. So a considerable amount of work and a considerable amount of scientific peer review goes into making these decisions.

We also discussed with Congressman Dicks before you came in, Mr. Nethercutt, the notion that some of this money is being kept outside of the parks. It is allocated to the parks every year so it is spent in the parks, but there is some judgment and some competition and some accountability required for all of these individual programs to ensure that.

I think we would be the first to admit, as Mr. Dicks observed earlier, that one of the great dangers is that this money will float off to other purposes, not bad purposes by the way, high priority purposes, but if we are going to make progress on this initiative, this money needs to stay in this category.

USE AND ACCESS RESTRICTIONS

Mr. Nethercutt. I appreciate that and I sense it is off to a good start but out west, at least in my experience, there is some concern that increased attention will result in increased rules and regulations and restrictions, and maybe a restriction on access. I am wondering how you intend to address that or prevent it.

Mr. Galvin. I think you put your finger on it in your opening question. I think the product of all this is information and the possession of accurate information sometimes goes the other way. For example, a third party petitioned the Alaska Game Commission to establish a buffer zone around Denali where no hunting of wolves would be permitted. We had a longstanding wolf research program going on in the park that proved that the wolf population was healthy within the park and did not need a buffer zone around the parks to be protected. The possession of that kind of information allowed us to take a defensible position in favor of hunting outside the park.

We have reviewed upwards of 450 air quality permits. Our air quality program is over 20 years old and is a very high

quality program and we possess a lot of information about air quality. Ninety-nine percent of those permits were approved without comment by the National Park Service because we knew they would not adversely affect the parks.

So I think the possession of good information allows park managers to make good and defensible decisions that do not necessarily interfere with recreation activities or visitor services.

Mr. Nethercutt. Therefore, can I conclude your intent is not to enhance regulations or restrictions, but to make sure there is access and to be sensible about it?

Mr. Galvin. Absolutely.

NATURAL RESOURCE CHALLENGE GOALS

Mr. Nethercutt. What is the ultimate goal of the Natural Resources Challenge for the National Park System?

Mr. Galvin. We had them up earlier. There are four.

Mr. Nethercutt. Forgive me if you have gone over this.

Mr. Galvin. That is fine. I am perfectly happy to go over them again.

Mr. Neubacher. I think the most important goal for the initiative is to get good information so we can make good rational decisions. As Mr. Galvin pointed out, often those decisions help us move forward. Often we are locked up by different groups and compliance issues or lawsuits, so we cannot move forward.

The second and probably most important goal is to basically know what resources we have and to monitor those resources over time to ensure long term health.

The third thing we are trying to accomplish by the initiative is to make sure we can restore degraded resources. We have old quarries, and old mines that need to be restored that are no longer in use.

A major goal we talked about was the establishment of CESUs and the learning centers to welcome outside researchers to parks so we can get cost effective, often inexpensive, often at no cost to us, science from institutions. We want to be researcher friendly.

The last thing is we want to make sure this challenge has the ability to educate the American public. We want to share this knowledge with school kids and adults, either through websites or actual direct programs in parks. We have a lot of science the public deserves to know about.

Mr. Galvin. On that last point about making parks more friendly to science and research, I think Dr. Soukup has an excellent example of a practical thing we have done that has had immediate results.

RESEARCH PERMIT PROCESS

Dr. Soukup. We are trying to become much more hospitable and trying to bait them in and get more science for parks. We can do that very effectively by getting outside research. Traditionally, more than 80 percent of the research has been done by outside, academic groups in nonfederal kinds of activities. That has always been a mainstay and we want to

encourage that. We need so much information and if we can get it cheaply, it is worth it to encourage that.

One way we have recently encouraged researchers is we have automated and put our permit process up on the Internet. Now it is possible to actually apply for a research permit within 15 or 20 minutes of activity. That is a major step forward. It is up to us now to process those permits very quickly and get back to people and have more people coming in and really building up our information base for very little cost.

PROFESSIONAL DEVELOPMENT

Mr. Nethercutt. It seems as you do that, you are going to need to have good people. The Park Service has a history of promoting from within. Considering this outreach that is ongoing and the certainty we want lots of people to use the parks for scientific reasons and otherwise, would you agree a twofold strategy might be the wisest to really work on building a strong natural resources team by lots of professional training through existing staff but also recruiting outside the Service to get good people to come in who will be there for a time that will build a history, a legacy and a continuing interest in the park?

Dr. Soukup. Absolutely. You put your finger on a very important thing, and that is having some institutional memory and sophistication within our ranks. We have done a number of things under the umbrella of this challenge. One is we have developed a Resource Careers Initiative that has looked at the level of intensity, sophistication and skill needed in those positions out in the field and has modeled position descriptions that will encourage people with advanced degrees, for instance, to take some of our resource management jobs.

That is a real upgrading of our ability to identify issues and call the right people when we have needs for either research or action.

Mr. Nethercutt. Is that strategy in place?

Dr. Soukup. Yes, it is in place now.

Mr. Nethercutt. Will you measure how we are doing maybe a year from now when you come back?

Dr. Soukup. We are going to put that in our annual report which is almost finished. We hope to have an annual report to you very quickly.

Mr. Galvin. Most of our jobs are announced through all sources so they go to all institutions across the country. I can give you an example. We just hired a wildlife biologist at Point Reyes from the outside. She has a degree from Harvard, a degree from Cornell and a Masters degree from Berkeley, a tremendous talent. That is the caliber of people that want to work for the National Park Service. By going to all sources, we bring in this talent that we never really had to that degree before.

Mr. Nethercutt. I hope along with that great academic education, she would have some common sense.

Mr. Galvin. Very much so.

Mr. Nethercutt. Thank you. I may have some questions to submit to the record if you don't mind.

FUNDING OF BIOLOGICAL RESOURCES DIVISION

Mr. Skeen. Mr. Dicks.

Mr. Dicks. We talked about the Biological Resource Division of the USGS. There is some concern that the USGS is going to be cut back. If you will be relying on them to do some of, or part of the basic research, what happens if the Biological Resources Division is cut by 10 percent?

Mr. Galvin. We are concerned about that too. Since the budget is not finished yet, we don't know all the details, particularly with respect to another bureau. We are worried about our ability to generate information and BRD is an important source for us. There is no question about it.

Mr. Dicks. If the committee who has been a strong advocate for this proposal wants to make certain this thing continues to work, we are going to have to look at what happens to USGS?

Mr. Galvin. I think that is right.

BRD SCIENCE CENTERS AND COOPERATIVE RESEARCH UNITS

Mr. Dicks. Give me a little more information on these cooperative ecosystem study units. Do they conflict with research conducted by the BRD science centers or cooperative research units?

Dr. Soukup. We have been concerned about that and have tried to make every effort that we could to make sure they are included. For instance, at the Northern Arizona University unit, the BRD is on campus there and there is a coop unit member there who has helped draft that unit's strategic plan on how they address issues.

We believe both the coop units and their science centers have very strong programs that are very, very responsive and will be a primary source of activity in the areas where they are available and have expertise. Where they do not have expertise, we feel it is important to have access also to the rest of the university universe that is very large, broad and can augment what they do.

VITAL SIGNS MONITORING

Mr. Dicks. You received separate increases for park vital signs and for water quality monitoring. Can you explain why there are two different monitoring elements?

Dr. Soukup. I think we have been able to work fairly effectively in the past with USGS in their program but also they have money earmarked in their budget for the Clean Water Action Program. The funds we have are to get some of the on the ground stuff that has to be done in the parks up and running very early.

We can do that because we know a bit more about water quality monitoring than we do about the rest of the actual ecosystem.

Mr. Dicks. What are the park vital signs aimed at?

Dr. Soukup. It is aimed at choosing the minimal series of things to study that will tell us the maximum amount of information about the state of the resources in the park. Monitoring can be very expensive and we are not going to have

funds to measure everything. We will try to pick out the key parameters that will give us the most information about the condition of the resources.

Mr. Galvin. I might add, do that over a series of parks so that we do it efficiently as Don pointed out earlier.

Mr. Dicks. My friend Mr. Nethercutt was talking about common sense. For example, you have the Olympic National Park and the area around it is the Olympic National Forest. Then you have the State Department of Natural Resources. These are all in different watersheds so we have various players.

We make some decisions on the private lands or State DNR lands on habitat conservation plans, a program I have strongly supported. This is one way to give certainty out there so people know what the situation is. In our State, we have even pushed multispecies habitat conservation plans so people get 50 to 100 years of certainty.

It seems to me, as we did with the President's Forest Plan in the Northwest, where there were high levels of protection and we had good information, we could maybe require a little less on the private lands because we knew what we were doing on the DNR lands, the Forest Service lands and what was in the Park Service. I would think that would be taken into account in the area where we have the red-legged frog problem because we have had a huge program in California to deal with.

It seems to me by increasing the science and knowing what actually is there in terms of these endangered species, that information is valuable to the other landowners in the areas where they try to develop their plans and to the agencies that have to evaluate them and their adequacy.

RED-LEGGED FROG--POINT REYES NATIONAL SEASHORE

Mr. Galvin. There is no question about that. Going back to my discussions with Mr. Wamp and Mr. Nethercutt, this all has to be seen as a series of collaborations, a series of concentric circles. Parks are the most protected so they provide an opportunity to glean information in this most protected area. The red-legged frog is an excellent example. We might have Don talk a bit more about why the populations are so healthy at Point Reyes.

Mr. Neubacher. One of the reasons we believe they are healthy, is because our air quality is extremely high, phenomenally high. Also, there are no residues from any pesticides or anything like that so we have a very clean system. We have one of the largest populations of red-legged frogs probably anywhere in California.

To get back to your original question, what we see now because we have probably the national expert on red-legged frogs, who happens to be a BRD employee at Point Reyes National Seashore, the private sector, State and local sector calls Mr. Fellers and asks for his information on red-legged frogs. So he is providing information broadly to help communities.

Mr. Dicks. About key habitat.

Mr. Neubacher. About key habitat, nonbreeding habitat.

Mr. Dicks. What kind of habitat do you have to have for a red-legged frog?

Mr. Neubacher. Clean habitat, number one, pond habitat a

couple of months out of the year and ten months out of the year, they go to riparian or sort of moist habitats and pretty much stay there. That is called nonbreeding habitat.

The one thing we are finding is they will move. We put little transmitters on them and we see they will move up to one or two miles. They are a bit more frisky than we thought in terms of movement. So we are learning a lot about them. We are also helping people outside of parks to have good information. The Fish and Wildlife Service calls on almost a regular basis asking Mr. Fellers what he thinks about a particular project.

Again, since we have a healthy population, in some cases outside development can occur because it is not going to have an impact on this particular frog. It has been very helpful to have this data. We didn't have this data five years ago.

Mr. Dicks. You did not have the information, these evaluators did not have the information about what high quality habitat looks like and now with the monitoring of the frogs as they move around, you get a better picture of the range in which they operate. If you have to recreate this kind of habitat in other areas, you have an idea of what it looks like?

Mr. Neubacher. Very much so. Mr. Fellers has gotten involved in mitigation measures on other projects, so he is providing expertise outside the Park Service to other agencies and other groups.

Mr. Dicks. When you talk about the set-a-sides, the thousands and thousands of acres that public entities are buying to preserve this habitat, it is good to have an example of this.

Thank you, Mr. Chairman.

Mr. Skeen. Mr. Kingston.

NATURAL RESOURCE CHALLENGE NETWORK STRATEGY

Mr. Kingston. I apologize for being late. Everyone has conflicts, so I guess it is nothing new.

I wanted to ask about cluster groups because as I understand some individual parks are fine, then others are in clusters. How is that working? What are the advantages of it? Out of the 384 national parks, how many are participating?

Mr. Galvin. We have not answered the last question but it is in my prepared statement. There are 270 parks that have significant natural resources. It is better than three-quarters of all the parks in the system. There are actually about 350 management units. If you take National Capital Region, for instance, there are a bunch of different management or natural units in National Capital Central, so it is 270 or about 350 roughly speaking. I will ask Mike to answer the rest of your question.

Dr. Soukup. We sort of have a two level approach. The cluster or network approach we think is really going to be very efficient for the smaller parks that probably will never be able to afford or need the investment in the entire program.

We started out thinking we were going to have a monitoring program in every park and we started with a prototype monitoring program of about a dozen larger parks we actually invested in fairly extensively to try to do the whole thing in one park. We found that was going to be a lot more expensive

than we thought we could ever afford. So we have maintained those prototype parks, parks doing kind of the whole series of vital signs that we think are important to measure.

When we saw how expensive that would be in the future, we designed networks. I think there are 32 networks we have identified. Those are parks that have similar kinds of habitat, similar kinds of resources.

Mr. Kingston. Is that biogeography?

Dr. Soukup. Biogeography, basically geography plus the similar kinds of plants and animals in the parks. So we will be able to sort of capitalize on the strengths of different parks by putting a very small staff in that network wherever there is advantage. We will design it in each case differently to really make that sort of a group effort.

We are finding that there is fallout we did not expect. There are advantages of having these parks work together on these kinds of issues that are really paying off.

Mr. Kingston. One of the things we get hit with in appropriations is every agency wants to sometimes do the same thing and move in the same direction, so internally, you are managing these requests and in your evaluation, you are determining where the most critical needs are and what are the strongest proposals, the strongest problems. You are weighting it so the clusters, the networking and we know which ones should be funded first?

Dr. Soukup. Right. We have a mechanism for competition in most of these programs. We are picking out the parks that are ready for it, the ones that have the highest need for it and we are doing it in sort of a strategic way.

MAINTAINING CENTRAL RESEARCH CATALOG

Mr. Kingston. You have sort of a central catalog?

Dr. Soukup. Yes.

Mr. Kingston. A member of Congress could look at that and see where you are. It is similar to the way it is done for the military in terms of funding so that you can see the five-year funding plan?

Dr. Soukup. Right. We have them cued up, we have the next batch ready and we chose early on generally to have significant progress early on so that we can see how it works and then go from there.

Mr. Kingston. There have been cases where not having the proper information has led to some damage or loss of some of the natural resources, correct?

Dr. Soukup. Right.

Mr. Kingston. What are some examples of that, just so we could put a face on it?

Mr. Galvin. Let me give you an example. Incidentally, the networks are up there on the map, the 32 vital signs monitoring networks.

An example that is very personal to me because it occurred at kind of a watershed change, not as a result of the Natural Resource Challenge, but it is an example of when some kind of information can really change your prospective of something.

I started my career in Sequoia in the early 1960s. The staff there had been trained to put out all fires by 10

o'clock. Another piece of anecdotal information was there were no new Sequoia trees growing in Sequoia National Park. I vividly remember sitting around at coffee break one morning with the Chief Ranger and the Assistant Chief Ranger and other guys older than I and having them talk about some researcher who was in the park telling us that fire was an important part of Sequoia's environmental system.

It has now become dogma in that but it is kind of an example of where information really has changed the management regime radically. Mike might have some other examples.

AMPHIBIANS--KINGS CANYON NATIONAL PARK

Mr. Kingston. Kings Canyon is right next to Sequoia.

Mr. Galvin. Right. It is actually the same management unit.

Mr. Kingston. I am not familiar with the red-legged frogs, but there is a biologist who has been studying amphibian disappearance in Kings Canyon and unable to put the thumb on exactly why, but there is a definite disappearance. The reason that is significant is because there is no encroachment, no pesticide runoff or air pollution that is easily identified.

This committee has funded an initiative coordinated by the USGS to get a grip on that. How would that tie in because you do have a loss of a natural resource there? Is that on your radar screen yet, or would that be an example of losing something, and that is why we need to have this cataloging?

Mr. Galvin. The whole condition of amphibians in the Sierras is definitely on our radar screen. I think the statement about red-legged frogs in Kings Canyon also applies at places like Yosemite which is just north of that. There also seems to be a difference in their health between the west and east side of the Sierras which is interesting. Perhaps Mike can elaborate.

Dr. Soukup. I think in different parts of the country you are finding there are different causes. It is hard to generalize between toxic impacts and perhaps some of the rainfall issues, acid rain and those kinds of things. I have heard maybe half a dozen different theories in different locales.

The more information you have, the more you can sort through those things. Where they are disappearing in some cases, you can take action and in some cases you are not going to be able to do anything about it.

Mr. Kingston. If I was to look at your central catalog, I could see Kings Canyon, Sequoia, Yosemite and here are some of the problems and examples, and then you weigh how critical those problems are for funding. That gives an accountability to the individual park superintendents and all of us.

DIVERTING FUNDS TO OTHER PARK NEEDS

How do we know that some of this isn't diverted to regular maintenance? What keeps a superintendent from saying this really is a long-term thing?

Mr. Galvin. We were aware of that problem in designing the challenge. It is a definite problem. It is not because the tradeoffs are to nefarious or evil purposes; it is because

managers need to make decisions about conflicting priorities. I am a mechanical-civil engineer and I have made my career building sewage treatment plants, so I know the competing priorities. We were aware of that when we designed this challenge. I would say there are a couple of answers to your questions.

First, these projects are mostly done competitively, so a park doesn't get money without going through a competitive network and they are peer-reviewed by outside peers outside of the park.

Also, some of the money is kept outside of parks so that it simply cannot be moved to other purposes. While all the work is done in parks, the actual decision on the allocation to parks is made on an annual basis outside of the parks.

One other answer to your question is that all of this stuff is done collaboratively so BRD is involved, a network of universities is involved. We are hoping we get much of this work at low cost simply by researchers who want to work in national parks and we try to make that system more open and simple.

WORKLOAD INVENTORY

Dr. Soukup. One of the points of your question is the workload inventory aspect and the prioritization of that workload inventory, which I think is very enormous. If you look at exotic plants, we have a prioritization system that really looks at the weed species in a way of what is most harmful now and what are the things we really have to look at.

Our system was recently published in Conservation Biology and Practice. It has had peer review and we are very comfortable with a lot of those workload inventories and exotic plants are a good example.

The problem of funding is a real one and if you read the history in the book, Preserving Nature in the National Parks, you will see our programs rising and falling in natural resources, not rising very high and falling very rapidly.

Two things are happening. One, the pressures on superintendents are often in the visitor services. I thought that Mr. Galvin was going to say the bears don't phone in. Really, some of these issues are more subtle than problems in the campgrounds and problems with the highways and roads and structures. They are real and require a long-term focus and long-term investment.

That is sort of what we are doing with this challenge, starting the process of changing the agency, not only into a very good visitor services agency but also one that is really expert in managing resources and doing it in a very logical and strategic way.

NPS RESEARCH AND RESOURCE MANAGEMENT

Mr. Kingston. Thank you.

Mr. Skeen. Mr. Hinchey.

Mr. Hinchey. Let me apologize for not being here at the outset but there are competing hearings going on at the moment so I am shuffling back and forth to some extent.

I wanted to ask you about the several components to the research activities going on in the park and how they might complement each other, or in some cases perhaps compete with each other.

As I understand there is the BRD, the CESUs, learning centers and sabbaticals, and all of these activities are taking place under the rubric of research. I wonder if you can describe each of them and say how each fits into the overall research program?

Mr. Galvin. I would say the common ground in all of those is information. There is a dearth of information in this area. The more ways we can reach out to gather information, the better off we are. One sort of basic distinction we made earlier is that the National Park Service as an organization is in the business of resource management.

That is not to say we don't need people with a scientific background on our payroll but it is to say that they are not generally speaking, doing original research. They are applying the research done by others.

BRD's role is to provide biological research. This Initiative has been designed to be complementary to the role of BRD.

COOPERATIVE ECOSYSTEM STUDIES

The Units, of which there are ten and a network of as many as 40 universities attached to them, and BRD is involved in those, is a way to maximize the kind of information a park superintendent needs. Don used a couple of examples earlier of going to the University of Washington not for natural resources information but for cultural resources information. So we get out of the cooperative ecosystem studies units access to a broad range of experts including biology and the management of BRD that is resident in those.

SABBATICALS

Sabbaticals, I think I will let Dr. Soukup talk about.

Dr. Soukup. One overriding theme is we need more information and we want to do it in a cost effective way. There are thousands of sabbaticals taken every year by university professors where the university pays the salary and the faculty member studies something or thinks about something for a year. We think national parks are great places to do that. If they will come and think about our issues or maybe help us write a management plan or an approach to an issue, we will try to provide them logistical support and so forth.

It is a very, very low cost program, basically a poster that we give to universities and a website. The rest of it is sort of a matchmaking service where we say, a researcher with a sabbatical is seeking interesting issues, a park with interesting issues is seeking a person with a sabbatical. We are already getting a tremendous amount of interest. I hope we can maximize the amount of professors we bring in.

CANON SCHOLARS PROGRAM

The other program we are proud of is the Canon Scholars Program where Canon USA has given us \$2.5 million to give awards for 32 post-doctoral degree programs. So we will have 32 new PhDs that are looking at issues. Each year we have a competition that is mediated by the American Association for the Advancement of Science. They are given on merit and these students will be attacking problems that are identified by park superintendents.

All of these programs are really designed to give us the maximum amount of information at the lowest possible cost and get people thinking and doing their research and educating about national park issues.

Mr. Hinchey. The park in a way becomes a kind of laboratory where you have research taking place. It can be biological research as well as other research into natural resources?

Dr. Soukup. Absolutely, the whole span. We believe that in the future, parks will be incredibly important as natural laboratories and laboratories for all kinds of studies. When those are done, it is up to the Park Service to develop the results of those publications and information into a functional understanding we can take into these issues and know and have a lot of skill that we can bring to these issues that will be good for everyone. We can be much more effective and much more precise in our requirements in managing national parks if we have a good understanding of how these things work.

POINT REYES NATIONAL SEASHORE RESEARCH PROGRAM

Mr. Neubacher. The one thing we didn't mention was using the learning center as another tool to get researchers into parks by providing them some facilities, office space, lab space and computer access.

At Point Reyes National Seashore with these different tools, whether CESUs, learning centers, direct cooperative agreements with institutions, I have about 70 research projects going on today. Most of those I am not paying for because I have these different tools. I am giving them a little incentive basically and leveraging those institutions to come in to do research. That includes very prestigious universities like the University of California, Stanford, the University of Washington, to more local universities like San Francisco State.

They want to use parks as laboratories and we are making them more available using these different tools.

Mr. Hinchey. They will then publish papers and publish their results in some way. Do you anticipate a formal synthesis of these results to have them presented in a way that is understandable and useful?

Mr. Neubacher. That is part of the learning center concept where we have a resource educator that takes that information and makes it available to the public and to park managers because a lot of it is very technical. To answer your question, very much so.

We are also directing the type of research we want to get done. At Point Reyes and in other parks, we have a research catalog, so when a university gets our product or our list of needs, they know some of the research we would like to see

accomplished over time.

Some universities may want to do something else and that is fine but we are also trying to get our backlog of research and resource management accomplished.

AMPHIBIAN RESEARCH

Mr. Hinchey. Are you doing any current research on amphibians?

Mr. Neubacher. Very much so. Dr. Gary Fellers, who is working in Sequoia-Kings Canyon and happens to be centered at Point Reyes National Seashore, is nationally and internationally known. He has also worked in China. His work on red-legged frogs and other amphibians is really cutting edge.

We are getting closer to figuring out what is happening to those populations. The frogs are healthy at Point Reyes but in most of the Sierras they are still in a declining mode. I do think we will get to an answer.

Mr. Hinchey. Thank you very much.

NPS HOUSING

Mr. Skeen. There is one question I would like to ask. On a tour of these facilities in these parks and so forth, the housing is abominable.

Mr. Galvin. That is true, Mr. Chairman. I am happy to report that in this budget, there is a rather significant increase in our ability to rehabilitate housing, not to build new housing.

Mr. Skeen. It was very evident for the folks who work in the parks and also students and so forth.

Mr. Galvin. That is a problem.

Mr. Skeen. It is a sad situation for those people with the housing situation.

Mr. Galvin. Yes, sir, that is true.

Mr. Skeen. Other than that, I do not have any other places to scratch.

Mr. Galvin. We thank you very much, Mr. Chairman, for holding this hearing. In many years of appearing before this subcommittee, this is the most time that has ever been devoted to a vital subject, and that is resource management in the national parks. Thank you for that opportunity.

Mr. Skeen. Thank you for your expertise. We appreciate it. We do not have anything to beat you up with.

Mr. Galvin. Well, that is different from the past too.

Mr. Skeen. I knew you would appreciate that.

Thank you for your time and effort. Leave Carlsbad Caverns alone.

Mr. Galvin. We will help Carlsbad Caverns, we won't leave it alone.

Mr. Skeen. Thank you.

BIOGRAPHY MICHAEL SOUKUP, Ph.D. ASSOCIATE DIRECTOR NATIONAL PARK SERVICE

Michael Soukup is the Associate Director, Natural Resource Stewardship and Science. Dr. Soukup is responsible for the management

of natural resources in all units of the National Park Service. He directs technical support programs for parks in air quality, water resources, geological resources, biological resources, environmental compliance, information management, and social science. His objective is to bring emphasis within the National Park Service on active, science-based management of natural resources. He is particularly interested in enlisting the energy and resources of the Nation's universities as an active partner in providing science for parks.

Previously, Dr. Soukup served as Director of the South Florida Research Center at Everglades National Park and then as Director of the South Florida/Caribbean Field Laboratory of the National Biological Service at the University of Miami and Florida International University. He also served as Regional Chief Scientist in the North Atlantic Region in Boston, and as a research limnologist. Dr. Soukup has received commendations for his work in objectively translating science to decision-makers for sound natural resource protection.

He has published on a range of subjects since receiving his B.S. degree from the University of Richmond, Virginia, in 1967, and his doctorate from the University of Massachusetts, Amherst, in 1975.

[Questions for the record follow:]

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Wednesday, March 21, 2001.

OFFICE OF THE SPECIAL TRUSTEE

WITNESSES

THOMAS N. SLONAKER, SPECIAL TRUSTEE FOR AMERICAN INDIANS, OFFICE OF THE
SPECIAL TRUSTEE

M. SHARON BLACKWELL, DEPUTY COMMISSIONER OF INDIAN AFFAIRS, BUREAU OF
INDIAN AFFAIRS

Opening Remarks--Chairman Skeen

Mr. Skeen. Good morning. Mr. Slonaker, congratulations on your selection by President Bush to continue as a Special Trustee for American Indians, and Sharon Blackwell as the new Deputy Commissioner of Indian Affairs. I welcome you before the Interior and Related Agencies Subcommittee.

As you know, I've served for many years on this Committee, and along with my friend, Ralph Regula, was instrumental in putting forward an aggressive agenda to address the longstanding problems associated with the management of the resources that are held in trust by the Department of the Interior for American Indians and Alaska Natives. I have long been an advocate for the Native American community, not only for the Tribes in my State of New Mexico, and by the way, we've got about as many as anybody else as far as the country, and we're very proud of them, but also from a national perspective.

It's critical that the trust reform efforts initiated by this Committee continue. It's imperative that your efforts result in a permanent fix to the trust system. As a result of the lawsuits currently being litigated in the courts and at the urging of this Committee, the Department has maintained the Indian trust issue as one of the highest priorities. I trust that Secretary Norton will continue to give priority consideration to trust reform.

It has recently come to my attention that allegations have been raised alluding to the conflicts between the Office of Special Trustee and the Bureau of Indian Affairs and the Office of Trust Fund Management, and if true, such conflicts may jeopardize your efforts at trust reform. The Committee expects you to work on these bureaucratic problems immediately and move forward in a coordinated and cooperative manner. Also, if there are problems with a high level implementation plan, we want to know about them now so that any needed changes are identified and made.

I want to maintain the cooperative relationship that exists

between your office and this Committee. Together we must complete the difficult job of fixing these trust systems.

So there we are. Welcome, and let me turn to my friend and Ranking Member, Mr. Hinchey. Thank you for being here and representing the leadership. Thank you for holding down the base. Welcome to the Committee.

Opening Remarks--Mr. Dicks

Mr. Hinchey. Thank you very much, Mr. Chairman. Thank you for your chairmanship of the Committee.

I do have an opening statement on behalf of Mr. Dicks that I would like to read for the record. I'd also like to recognize the presence of Mr. Dale Kildee, who is a member of the authorizing committee here, and who has a long-term interest in this particular issue. I know he is here specifically to hear the testimony and the questions and to gather information. Dale, we welcome you here and thank you for your interest in this.

Mr. Dicks' statement is as follows. Mr. Chairman, the Federal Government's execution of its trust responsibilities to American Indians has been a difficult issue long before you and I came to this Committee and long before our witnesses began their Government service. When the GAO briefed our staff last week, they brought with them one of the first reports on Indian trust management problems, which was issued in 1928. They also included a front page story on Indian trust fund losses similar to the one which appeared in the Washington Post last Saturday. But that article is dated 1876.

The intractable nature of this problem has been a source of intense scrutiny by this Subcommittee over the years. I believe Congress has responded. We have encouraged the Department in its latest trust management reform efforts, and we have allocated large sums towards the cost of modernizing the Indian trust accounting and management structures at the Department and at the BIA. This included an additional \$27 million in emergency funding added in conference just last fall.

Up until last week, based on reports from the Department and testimony from the new Secretary, I thought we were making good progress. Then I read in the Post that senior Department advisors have informed the Special Trustee that, ``Trust reform is slowly but surely imploding.'' Needless to say, we are all disappointed if this is true.

We are also disturbed to find this out at a time when things seemed to be moving positively. Mr. Chairman, we cannot afford to fail again in our responsibilities to these Indian Tribes and individuals. I look forward to these hearings, so we can get the views of the Department, BIA, and the Special Trustee as to exactly what is going on and what we need to do to fix any problems which are out there.

Mr. Hinchey. And Mr. Chairman, I also want to join you in thanking Mr. Slonaker for his service to the Nation in this particular capacity. We're very grateful to him for that. And also to welcome Sharon Blackwell, who is the Deputy Commissioner for the Bureau of Indian Affairs. Ms. Blackwell, we thank you too very much for your service, and we welcome you here.

Mr. Skeen. Welcome to you both.

Mr. Slonaker, and Ms. Blackwell, for the sake of time and to ensure that all members have ample time for your questions, would you please summarize your statements, and your complete testimony will be included for the record. It's kind of a shoddy way to treat you, after going through all that work, but it will be on the record from now on.

Go ahead.

Opening Statement--Special Trustee

Mr. Slonaker. Thank you, Mr. Chairman. Thank you for inviting me to testify today and to all of you who are members of the Committee.

Let me just tell you first of all that I was sworn in last June. I've had now approximately eight months or so to appraise this situation. I am charged with, as you know, under the 1994 Act, among other things, oversight of the trust reform effort, as I call it, within the Interior Department.

Let me just remind you as a moment of background what we're talking about here. I came from the commercial trust sector before I retired, and then for some reason decided to take this job.

Mr. Skeen. You're a glutton for punishment. [Laughter.]

Mr. Slonaker. What we're talking about here is a pretty good sized trust department, by commercial standards. The BIA has 56 million acres of land under its responsibility for leasing and revenue production. Approximately three-quarters of that land is for tribal revenue and the other quarter is for individual Indians. The central job here is producing accurate records and making sure that the transactions take place in a suitable fashion.

In addition to the land assets, there's about \$3 billion worth of what I call liquid assets, money actually in the accounts, but invested for the benefit of, of course, Tribes and individual Indians.

Let me get to trust reform progress. There has been progress. Unfortunately, the public reports at times tend to exaggerate the negative. In any event, last year, for example, the financial accounting system for the trust system was put in place, and that's been up and running for about a year. The system is doing very well. In December of this past year, the land title portion of the project known as TAAMS, which is the Trust Asset and Accounting Management System, was put in place and made the system of record in four of the twelve BIA regions.

The final regulations were published in January of this year for leasing and grazing on Indian lands, trust funds and Indian probates. These are very important regulations and the reason for it is that the central core of this whole task is to bring uniformity to trust process and procedure, so that we can take advantage of systems that give the best service at the ground for the beneficiaries, which are both of course Indian Tribes and individual Indians.

Trust training courses have begun for people in the field from all sectors of those parts of the Interior Department that are involved with trust improvement. And pursuant to decisions

made by former Secretary Babbitt, and Secretary Norton, we as a Department are proceeding with a plan to present to Congress the feasibility of using a statistical sampling approach for individual Indian accounts that may provide the basis for an historical accounting, or for the settlement of the Cobell litigation, given the state of trust records, which I think you all know about, and the enormous cost per account for a total reconciliation.

HIGH LEVEL IMPLEMENTATION PLAN

Let me tell you about the challenges ahead. There are three major projects within the High Level Implementation Plan, which was revised early last year, and which is the blueprint for trust improvement. There are 11 projects, one's been completed, there are 11 total projects in that, plus 4 breach projects which need to be finished pursuant to a court order.

In my opinion, there are three, though, TAAMS, which I mentioned already, BIA data cleanup, which is closely related, you have to have clean data to make a good system work, and probate reduction, which is a very important ingredient also for having good data and properly accounting to Indian beneficiaries. In my opinion, strong management is critical for this whole plan. And that's what more of is needed.

NESSI MEMO

You alluded to a letter released recently from the BIA's Chief Information Officer, Dom Nessi, who had written a confidential note to me in late February, outlining some fundamental concerns that he had with the high level implementation plan, along with issues he had with management of what we call HLIP, plus the difficulties of TAAMS and the BIA data cleanup project, specifically. Dom's been a project manager for TAAMS and BIA data cleanup since the inception of those projects. In recent months, after becoming the Chief Information Officer for BIA, Dom gave way to another project manager who now reports to him.

[``Correction: Mr. Nessi has not been the project manager since the inception of these programs. He became the project manager in November 1998.'']

As a Special Trustee overseeing trust reform or trust improvement within the Interior Department, I agree with some of Dom's points in his letter. But on some I disagree. Dom's letter wasn't news. It wasn't news to me. I had already reviewed issues related to Dom's letter on several occasions with Secretary Norton and certain other senior members of the Department.

In fact, in the last three quarterly reports, which are the three that have been issued on my watch as Special Trustee, I referenced some of these problems. The Department is considering what actions should be taken. I think in the last three months we have reached a fairly critical area in some of these projects, namely the three that I mentioned. I will also of course discuss alternatives on several occasions with the

Secretary.

I do believe strong management of certain projects has been lacking, particularly with respect to planning, staffing, budget management, the lack of systems development experience and progress measurement. Accountability, quite candidly, is also lacking at times as well.

I said in my confirmation hearing that good management was the key to the Department's obtainment of its goal for trust reform. And having had time to observe all the projects under HLIP, my reading at this point is that the Department needs to provide better management in certain of those projects. I must note, however, in all fairness and candor, that I don't want to leave you with the impression that this is a negative picture. Substantial progress has been made on all of the other projects, even within the projects that I mentioned.

I believe that the BIA has a significant challenge which will test its leadership to accept new and improved procedures and systems if trust reform is to be completed satisfactorily. I also want you to know that I take seriously my responsibility for ensuring that funding is spent properly and that sufficient work is done and staffing plans are developed properly prior to the release of funds to any of the projects. In some cases, I've held funds until the following year, so that project work plans can be properly addressed prior to funding.

You should also know, finally, that just the other day, in fact, just yesterday, I learned from the BIA of a range of security issues related to trust operations, including security provisions for operations at the Office of Information Resources Management in Reston. So we've got another issue that we need to deal with in the Department, which will potentially impact our funding needs as well.

COBELL LITIGATION

Let me just close on a final note. We have a substantial amount of litigation going on in the background, or maybe sometimes in the foreground, of this whole trust improvement project, known now as the Cobell v. Norton litigation. The time spent on responses required for Cobell litigation, which I've noted in the quarterly report on the last two occasions to the court, adversely impacts the time and energies of the BIA and OST managers who are all the principal directors of trust reform.

Last summer, after I was confirmed and sworn in, I began negotiations with the plaintiff's attorneys to try to at least settle trial one, which is reform of the system. We got to the point where we had pretty solid, I thought, a pretty solid list of agreed-upon principles. That whole process broke down during the drafting of the consent decree, which of course the court would eventually have to approve.

My hope is that those can be restarted. I think this thing has to be negotiated to a conclusion in all aspects, and I know that the Secretary feels the same way. So in conclusion, I would just say, there's a great deal to be done. This by no means is a negative story, but it's got issues that we need to deal with, the Department needs to deal with. I do want to thank this Committee. I want to thank its former Chairman, who

I hoped to see this morning, and the staff for the support and assistance provided to the Department in this critical endeavor.

Thank you, Mr. Chairman.

[The written statement of Mr. Slonaker follows:]

[GRAPHIC] [TIFF OMITTED] T1708C.001

[GRAPHIC] [TIFF OMITTED] T1708C.002

[GRAPHIC] [TIFF OMITTED] T1708C.003

[GRAPHIC] [TIFF OMITTED] T1708C.004

[GRAPHIC] [TIFF OMITTED] T1708C.005

[GRAPHIC] [TIFF OMITTED] T1708C.006

[GRAPHIC] [TIFF OMITTED] T1708C.007

[GRAPHIC] [TIFF OMITTED] T1708C.008

[GRAPHIC] [TIFF OMITTED] T1708C.009

[GRAPHIC] [TIFF OMITTED] T1708C.010

[GRAPHIC] [TIFF OMITTED] T1708C.011

Mr. Skeen. Very good report.

Any questions? Ms. Blackwell.

Opening Statement--Bureau of Indian Affairs

Ms. Blackwell. Good morning, Mr. Chairman and members of the Committee. Thank you for this opportunity to appear here today for the first time to discuss the Bureau of Indian Affairs' work on the reform of the Indian trust management, and to confirm the BIA's commitment to correct where needed and to strengthen throughout the administrative processes for fulfillment of this Nation's trust responsibility to Indian Tribes, Indian individuals and Alaska natives.

Mr. Chairman, due to the support and guidance of this Committee and its staff, and with the interest of Congress, the BIA and other agencies in the Department of the Interior have been able to address decades-old policies and procedures and to make meaningful changes in our administrative management of Indian lands, resources and fiscal accounts. Last October, the Bureau celebrated its 175th anniversary. That occasion caused us to look at the history of the BIA's unique role in Federal Indian policy. That history contains some dark chapters of neglect in formulating uniform and consistent management practices of trust lands and revenues, and in accounting to Indian resource holders.

Suffice it to say that the legacy left by the failed allotment policy of the 1800s was long in creation, and will take not only careful planning and strong leadership by all senior members of all agencies in the Department of the Interior, but also will take strong partnerships between all

branches of the Federal Government to correct. It will also take time to gain the confidence of the Indians which we serve.

TRUST REFORM EFFORTS

The trust reform touches literally every aspect of the work that we do in Indian affairs. While we have made substantial progress in a number of areas, we readily acknowledge that there remains much yet to be done.

The \$32 million increase that the Bureau of Indian Affairs received for trust work in fiscal year 2001 has been distributed to the 12 Regional Offices and on to the 87 field installations in Indian Country to carry out the day to day administration of trust and restricted lands. The surface leasing program for this generates over \$100 million annually to Indian owners. The distribution of the trust money to the regions was based on factors such as caseload, number of trust and restricted tracts, and number of fractionated owners. It was designed, Mr. Chairman, to ensure that the funds were placed in programs with the greatest need to support the Department's trust reform initiative.

The funds are being used to hire much needed additional staff in the areas of real estate services, appraisals, and land title records. The goals are not complex, very simple, but they are long overdue to ensure that Indian leases are timely processed by professional real estate personnel, that rental valuations are prepared by qualified and certified appraisers, that ownership records are up to date and accurate, and that rentals and other compensation is correctly computed and timely paid.

APPRAISALS

With the utilization of the fiscal year 2000 monies for trust reform, 1,500 backlogged appraisals in one region alone were made to permit a stagnated leasing process to be completed for that reservation. A BIA technical appraisal board was instituted to oversee the appraising process for consistency and to set standards that match contemporary practices in the private real estate sector.

We are analyzing the realignment of the appraisal function nationwide under the BIA Director of Trust Responsibilities, and we will report to you on that aspect of trust reform as it proceeds.

PROBATE

As Mr. Slonaker mentioned, the BIA regulations on agricultural leasing, grazing, the management of Individual Indian Monies accounts have been analyzed, revised, and final regulations were published on January 22, 2001. Additionally, new regulations were published which expands the BIA probate program to permit some redistributions to be made in-house for the first time in many, many years by BIA attorneys, with the assistance of probate specialists in the field where the Indian owners are located.

The Department's responsibility for probating the estates

of deceased Indians who own trust lands results from statutes that are almost 100 years old. Primary responsibility for this duty falls on the Administrative Law Judges in the Indian Probate Division of Interior's Office of Hearings and Appeals. We lovingly refer to that as OHA.

The expanded BIA probate program will for the first time permit us to address those estates that have no factual disputes and can be summarily determined without the need of a formal hearing and the timeframes within the existing regulation before an OHA judge. The BIA has worked closely with the Office of Hearings and Appeals to coordinate this very careful work.

More than 200 probate staff members of both agencies attended training this winter on the existing OHA regulations, the coordination of duties and administrative procedures to be worked out under the new regulations. Both agencies are engaged in developing a shared system for tracking probate proceedings nationwide.

We will monitor the effect of the new probate regulations carefully. We are prepared to engage in further rulemaking if necessary to ensure the success of the streamlined probate program. A joint management team is developing a concept for the design of the probate module for TAAMS that will permit timely recording of title information. We anticipate that the probate design requirements will be completed in June.

YOUPEE

As you are aware, in 1997, the Supreme Court found the escheat provisions of the Indian Land Consolidation Act unconstitutional in *Youpee v. Babbitt*. The effect of this decision is that BIA, OHA and the Special Trustee's Office of Trust Funds Management must redistribute 178,000 fractionated escheated interests from the Tribes to individual land owners. In August, 2000, the BIA completed a pilot project at the Pawnee Agency in Oklahoma to monitor the time and cost of that agency's Youpee workload. It amounted to revision of approximately 400 title records. We are examining that data and have targeted July 2001 to complete development of a nationwide plan to implement BIA's work to redistribute the Youpee title interests.

TAAMS--LAND TITLES

On December 29th, in fact, year 2000, the ownership or land titles module of TAAMS was deployed in four of the BIA twelve regions. New ownership information obtained at the completion of the probate process or resulting from conveyance in those regions is recorded in TAAMS and is utilized for the realty programs. Deployment of the land titles module and a second tier of Regional Offices is proceeding as we engage contractors and BIA staff to review the existing title records for accuracy, and then encoding into the system.

We have learned that statutory authorities that govern Indian land titles is tribal specific in many instances, and thus requires a unique approach from region to region. This is very careful work. But we are committed to doing it right the

first time.

TAAMS--LEASING

In January 2001, a team of experienced and skilled BIA staff representing the major BIA disciplines in leasing functions, forestry, minerals, range, rights of way and commercial leasing, was assembled and sent to Dallas to complete the design of the leasing module of TAAMS. They are working alongside the software contractor to ensure that this important and crucial feature of TAAMS reflects the best practices and regulatory requirements. Our deadline for completion of this stage in the development of TAAMS is May 31, 2001.

This effort also includes an analysis of the data stored in the legacy system at the pilot site in Billings, Montana, and conversion of that data to the TAAMS system. Due to the extraordinary efforts of these dedicated employees, we are on schedule and plan to begin the system design testing within weeks.

BIA PERSONNEL

Mr. Chairman and members of the Committee, it is with great pleasure that I introduce to you today Bruce Maytubby, who was selected because of his extraordinary experience, and most importantly, because of the respect of his peers in the field, 24 years of Federal service with the BIA at both the agency, regional and central office level in Indian trust management. Mr. Maytubby is with us from Dallas today, someplace back there.

Mr. Skeen. Welcome.

Ms. Blackwell. Given the magnitude of the tasks completed and the magnitude of those to be accomplished, it's not surprising that managers become frustrated from time to time. I will confess to that occasional indulgence as well. However, I am confident that when completed, TAAMS will be a comprehensive user designed and thus a user friendly system for checking and recording the trust management activities for the Department of the Interior.

TAAMS

When fully implemented, TAAMS will interface with the TFAS system utilized by the Special Trustee's Office of Trust Funds Management. Senior officials from both agencies are engaged on the development of a draft Memorandum of Understanding and an accompanying handbook that identifies the respective responsibilities and duties of the two separate agencies and their day to day interactions. We intend an aggressive interagency training program to ensure that communication lines between TFAS and TAAMS, between BIA and OTFM are clear and the working relationship between the agencies is productive.

MMS INTERFACE

The same effort is underway with Minerals Management

Service. MMS is proposing as a part of its reengineering project under the HLIP to make a system change in October 2001 that will affect data input into TAAMS. We have begun to meet with management staff. In fact, the BIA design team technical staff met with the MMS technical team on February 27 of this year to discuss the MMS system to ensure that the MMS changes will interface with TAAMS and there will be no hindrance or dilemma with the operational system.

TRUST POLICIES AND PROCEDURES

Responsibility for the overhaul of the Department's trust policies and procedures was transferred to the BIA's responsibility in August, 1999. The January 2001 publication of the four sets of final regulations was the result of the work of BIA teams of managers in the respective areas of reform. After extensive regional consultation sessions with Indian tribal representatives, scoping work on revised regulations that address contemporary commercial leasing practices and mineral leasing has begun.

IIM ACCOUNTS

Additionally, comments received on the proposed regulations for the administration of adult Individual Indian Monies accounts prompted us to withhold finalizing those provisions. We will engage in further consultation during this year. We will re-propose those provisions based upon our further study.

REGULATIONS AND TRAINING

Internal guidance for the administration of the duties under the new regs and training is being outlined. This week, all BIA social workers will hold their first training for their responsibilities under the new regs and the development of an operational handbook.

The managers for the trust policies and procedures have developed a comprehensive schedule for examination of the regulations and procedures of other agencies outside BIA. Minerals Management Service notably is one, as is the Bureau of Land Management, to name only two of the Departmental agencies that have trust reform work within their jurisdiction.

The project managers are also examining existing Federal laws to suggest statutory revisions where needed to effect a more efficient delivery of trust services. Some of these statutes are over 100 years old, and it is time that we looked at the intent and the purpose, and make those recommendations to you.

INDIAN LAND CONSOLIDATION PROGRAM

The recent amendments to the Indian Land Consolidation Act provide a good statutory solution for more effective administration of the multiplicity of fractionated heirship interests created by the Dawes Act of 1887. Support from this Committee in funding the third year of the Indian Land Consolidation pilot has permitted us to continue the effort to

halt the geometric progression in the number of owners and to reverse the harsh effects of the allotment era.

To date, over 29,000 ownership interests have been sold at market value and 310 IIM accounts at the pilot agency have been closed. We will continue the project in the Midwest Region reservations.

BIA STAFFING

Finally, the Department has undertaken not only the responsibility for institutionalizing trust reform but to take actions to ensure that old problems do not re-occur. We are in the process of analyzing the staffing requirements for all aspects of delivery of trust services, including the needs of the Tribes who contract for the management of trust programs. These trust related services include enforcing the terms of leases and taking actions against trespassers, monitoring timber sales, mineral exploration and development, oversight of supervised trust accounts by BIA social workers and the maintenance of trust records. The work is comprehensive and cannot be accomplished without your continued interest.

We have made important and meaningful progress in reforming the Department's operations of trust programs. With equal confidence, I advise you that there remains much, much to be done to increase our efficiency and to gain the confidence of the Indian landowners.

Thank you again for this opportunity to address you. I'd be pleased to respond to any questions that you may have.

[The written statement of Ms. Blackwell follows:]

[GRAPHIC] [TIFF OMITTED] T1708C.012

[GRAPHIC] [TIFF OMITTED] T1708C.013

[GRAPHIC] [TIFF OMITTED] T1708C.014

[GRAPHIC] [TIFF OMITTED] T1708C.015

[GRAPHIC] [TIFF OMITTED] T1708C.016

[GRAPHIC] [TIFF OMITTED] T1708C.017

[GRAPHIC] [TIFF OMITTED] T1708C.018

[GRAPHIC] [TIFF OMITTED] T1708C.019

Mr. Skeen. We really appreciate your excellent run-down.

I have to confess to you that I used to be a person with the BIA, right out of college, an engineer at Zuni. We didn't lose the water, we kept the dam going. But I was sure glad to hear that you've got a great program and will make this thing work. I appreciate the effort that all of you are making.

Ms. Blackwell. Mr. Chairman, we have a job for you after this one. [Laughter.]

Mr. Skeen. Same job as when I was there. [Laughter.]

I really appreciate what you're doing. You're still dealing with some of the problems we had even in those days. It's been slow, with a few train wrecks in between time.

Mr. Hinchey.

Mr. Hinchey. Mr. Chairman, thank you.

The problems we're discussing here predate even your tenure at the BIA.

Mr. Skeen. I'll tell you this, if you've got a job to be done, get a woman to do it, they usually do it very well. But we men get the last word, and it's yes, ma'am.

Ms. Blackwell. Thank you, sir.

IIM ACCOUNTS

Mr. Hinchey. This is a problem of long duration. I can recall the previous Administration, having the Secretary here talking about this issue, and him saying that the management aspects of this problem would be settled on his watch. I know he meant that, and we knew he meant it when he said it. But it hasn't been done. We still haven't achieved that aspect of dealing with the problem. So we're still on the threshold, it seems to me, of where we need to be.

I'd just like to explore with you if I may some of the issues that were raised by some of the people who were quoted in the Washington Post story of this past Saturday. Paul Homan, who was your predecessor, Mr. Slonaker, is telling us that the Government cannot find at least 50,000 of some 300,000 Native Americans who have trust accounts. Is that true?

Mr. Slonaker. No. I think that is actually a reference to the fact that we have a group of people for whom we have accounts but we don't have addresses. That is being pursued and that number has been, I don't know just where the number is currently, does anybody know where the number is currently? But that number has been reduced. That's an ongoing project.

[The information follows:]

Approximately 65,000 accounts (27% of the Individual Indian Monies accounts) are for account holders whose whereabouts is unknown and for whom OST has no current address.

Mr. Skeen. It's a tough assignment.

Mr. Slonaker. It is a tough assignment. We've got some pretty sophisticated contractors working on it.

Mr. Hinchey. People move about, and it's very difficult to locate them. That's true of anyone in this society.

Mr. Slonaker. That's true. But it's a serious problem, nevertheless.

BIA CULTURE

Mr. Hinchey. Is there a culture in the BIA, or are there aspects of the culture in the BIA that mitigate against resolution of this problem?

Mr. Slonaker. Is that addressed to me, sir?

Mr. Hinchey. Well, it's addressed to both of you.

Mr. Skeen. There's a land mine or two in there. [Laughter.]

Mr. Hinchey. At least one or two, yes.

Ms. Blackwell. I would say that there is a definite culture in the BIA. The BIA is for the most part now, in contemporary times, staffed by Indian people. Many of the BIA staff members

have an interest in seeing this project through to completion and to successful completion. Each of us have in our past the horror stories that you no doubt are aware of, dating back 100 years. I think this BIA today is committed to being of assistance in righting some of those problems. That would be my assessment.

No, I would not, I am not prepared to say that the culture of the BIA is against trust reform.

Mr. Slonaker. May I put some perspective on that?

Mr. Skeen. You certainly may. Go ahead.

REGIONAL ACTIVITIES

Mr. Slonaker. I think that you need to add to the perspective that you've had what are now 12 regions, and you have 87 Agency Offices. All have a tendency over the years, many, many years, as you know, to do things in a way of their own. Even though they all may be doing leasing activities, for example, they do it in a different fashion.

Mr. Hinchey. It was a kind of a feudal system, wasn't it? You had people acting in accordance with their own sort of lights in a particular context. And because of the variations in the way that it was being done, some of it was being done correctly, and a lot of it was being done improperly.

PRIVATE SECTOR

Mr. Slonaker. There's some truth to that, I think. Let me give you this perspective. In my private sector career, I had responsibility for bringing together a whole group of private banks into one banking system. They had the very same problem. There was a certain feudalism, there was a certain desire to do things their way, and by God, they weren't going to give way to any central authority.

With good management, that can be overcome. And it needs to be overcome, for the sake of the beneficiaries. Because as I mentioned before, you need to have a strong central system of delivery and you need to have a strong central service process.

TAAMS

Ms. Blackwell. May I add a note, too? I think that the TAAMS program, the TAAMS system is going to give us that kind of system, that modern system that will create lines of communication.

Mr. Hinchey. How long will it be before we have that system?

Ms. Blackwell. We are proceeding, as I said before, we're proceeding to, through the leasing module. We will be integrating the probate module, I think our long term plan is, I think the completion of this is scheduled for three more years. Is that correct? I can---

Mr. Hinchey. The completion of the TAAMS system is scheduled for three more years?

Ms. Blackwell. Of all the modules completed and the testing and deployment and implementation. I guess I would like to emphasize that this design is being done by the users, so that

it will be what we hope to be user friendly.

TAAMS PROGRESS

Mr. Hinchey. But we have people who have been working with the system who are saying that it's not working, and the situation isn't getting better. The Nessi memo, for example, says the electronic Trust Assets Accounting Management System is a bust, that the Government doesn't know with reliability how much money has come in or gone out on behalf of Native Americans. Is that right?

Mr. Slonaker. I don't think that's accurate. I think Dom Nessi has made significant progress with the TAAMS system. I think the TAAMS system, its heart and its software looks pretty good. I candidly think this is, I hate to be repetitive, I candidly think this is a management problem to get the job done. This is not really rocket science. But what really needs to be done is that people need to get some good planning involved and get the project really soundly based, and they need to get--Bruce was introduced, but Bruce Maytubby has another job. So at some point, Bruce needs to go back to that job. We need a sustainability in this project.

So as I say, it comes down to management concerns.

Mr. Hinchey. Well, that's the way it seems to me. It seems to me exactly what you just said. It's not rocket science. So this ought to be done. It ought to be done in a fixed period of time. It's an understandable problem. It's finite. You can get your hands on it. You ought to be able to determine what is needed, apply those resources and accomplish the objective.

PSYCHOLOGICAL CLIMATE

Nevertheless, that doesn't seem to have happened. And there are people making allegations as late as just the other day that it still isn't happening. This causes me to believe that there's a psychological problem that's impeding the operation of the managerial assets that you're attempting to employ. And if that's the problem, then it's much deeper and much more difficult to resolve. And that would seem to be the case.

And that's what I'm asking both of you to respond to, help us identify those psychological problems, the aspects of the culture that put roadblocks in the way here. Who's responsible for those? Why are they doing it, and what do we need to do to overcome them to get this job done?

Mr. Slonaker. I would disagree to some degree with you that there are psychological roadblocks. I think there are cultural roadblocks, as you alluded to just a little while ago. But I think candidly, this is a question of bringing the management resources to bear and getting people with real systems implementation experience involved long term with this particular project, I'm talking about TAAMS in particular. I don't want to lead you to believe that this is true of every project in the High Level Implementation Plan, because it isn't.

Mr. Hinchey. I don't know how much time I have, Mr. Chairman, maybe it's up already?

Mr. Skeen. You're doing great. [Laughter.]

RESOURCES

Mr. Hinchey. This is an oversight hearing and not specifically a budget hearing, because we don't have the President's budget yet. But the question is going to arise, if not this morning then later on in the context of the budget hearings, as to whether or not you have enough resources to carry this out.

I think that the Chairman and all of us on this Committee want to see this job done. We don't want to be back here at the end of this Administration three years from now complaining that it still isn't fixed when we know that it can be fixed, and you know that it can be fixed, and you've identified the way to fix it.

ACCOUNTING OF FUNDS

Mr. Nessi's memo is still alarming in other ways. You disagree with him in the sense that we don't know how much money has come in or gone out on behalf of Native Americans. You think that we can identify how much has come in and gone out?

Mr. Slonaker. In terms of money, no, we can't do a full accounting.

Mr. Hinchey. You can't do a full accounting?

Mr. Slonaker. No. There's no way. You know the condition--
--

Mr. Hinchey. How close can we come?

Mr. Slonaker. You know the condition of the records for many, many years, so you cannot fully account, in my opinion.

Mr. Hinchey. How close can we come?

Mr. Slonaker. Well, the best evidence we have is to go back to Arthur Andersen's study that was done on tribal accounts a few years back. They identified, I think it was about 84 percent, they documented 84 percent of the dollar transactions, this was for tribal now, and about 15 percent they could identify the transaction occurred but they couldn't identify the documentation.

Whether that's applicable to Individual Indian Monies accounts or not is a key question. And that's what a sampling project could help us understand if we can get it done for a reasonable amount of money and time. But I don't think there's a real good answer to your question.

PROSPECTIVE RELIEF

Mr. Hinchey. It would appear as if that's the case. I'm told that the Arthur Andersen analysis that was given to this Committee speculated that over \$400 million would be required to resolve this issue, and in the end that would fail, because all the data just isn't available.

Mr. Slonaker. That's right.

[``Clarification: In 1996, Arthur Andersen estimated a cost of reconciliation of the IIM accounts. At the time, Arthur Andersen estimated that between \$108 million and \$281 million

would be needed to complete a 20-year review of account data. Information collected since these estimates indicates that this cost could be well in excess of \$300 million.']]

Mr. Hinchey. We don't have all the data?

Mr. Slonaker. I think that's right.

Mr. Hinchey. But you can do it prospectively?

Mr. Slonaker. I'm sorry?

Mr. Hinchey. You can do it prospectively. Even if you can't identify all the lost resources, and all the people who have been hurt, all the people who have been in essence cheated out of the money that they ought to have gotten, even if you can't do any of that, you can take it from here forward?

Mr. Slonaker. Oh, absolutely. You can fix the system, yes, indeed.

Mr. Hinchey. And you can make sure that the system treats people fairly from here on in?

Mr. Slonaker. That's right. And actually, for the last several years I think it's probably fair to say that. It's going back into the deep history.

HLIP DEVELOPMENT

Mr. Hinchey. So returning to Mr. Nessi's memo, he says that instead, that no in-depth analysis was performed and before the plan was put in place, he wrote, instead posturing for the court and between Department of Interior organizations seemed to be the primary influence on objectives. Is that too harsh?

Mr. Slonaker. I believe it is.

Mr. Hinchey. Was there a lot of that going on?

Mr. Slonaker. Well, I wasn't there, sir. But based on what I've been able to observe, you know, Sharon and I are newcomers to this game.

Mr. Hinchey. I know that.

Mr. Slonaker. But from what I've been able to observe, I think certainly now the HLIP plan is a pretty good blueprint. Is it perfect? No plan's perfect. It's gone through one revision already. Was the planning bad two or three years ago for some of these key projects at least? It probably wasn't what it should be. But I think the plan going forward from here, if it's properly executed and managed, has a very high degree of success rate.

NESSI MEMO

Mr. Hinchey. And you have, I would assume, gone back and had discussions, or are about to, or are contemplating discussing the allegations that are made in the Nessi memo with the people who were responsible for carrying this out prior to your arrival on the scene here? I know that, Ms. Blackwell, you've been here for just, I don't know how long, but a matter of weeks, I'd assume.

Ms. Blackwell. It's about ten months.

Mr. Hinchey. So a relatively short period of time. Have you had an opportunity to go back and discuss with the people who may have been impediments to progress within the organization, and tried to analyze what's going on and develop a way to

overcome those attitudes?

Ms. Blackwell. Yes. In fact, that is ongoing for us. As I mentioned before, this is such a comprehensive project, the plan is aggressive and ambitious. And each day as we move to another portion of the plan, we find that we're engaging other people within the Department of the Interior, agencies that prior to this time, for instance, had not been much aware of their trust responsibility for Indians, for the careful management of Indian resources. It does involve constant, constant management decisions and we need, we have a Trust Management Improvement Council that meets biweekly. I would suggest that Tom Slonaker and I are trying to meet on the off weeks to work through the issues.

Also encouraging OTFM and BIA employees in the field to work together to identify issues and where policy decisions need to be made, to send those to Washington so we can get them decided and we can move on.

Mr. Hinchey. Thank you very much.

HLIP

Mr. Skeen. Well, the recent press article describing a senior BIA official's criticism of the Department's plan for trust reform alluded to a lack of analysis behind the Department's High Level Implementation Plan, known as HLIP. Didn't you testify that in fact, much time and analysis has been put into HLIP? And can you describe for the Committee the analysis and funding efforts that went into HLIP?

Mr. Slonaker. I can't really, I wasn't there when it was put together. So I can tell you that from what I've been able to discover, as I said a minute ago, the plan had some weaknesses in its early stages. But it was revised last year. The revisions to the TAAMS and in fact, the original authoring of the TAAMS part and the data cleanup were largely drafted by, so I'm told, by Mr. Nessi. And some alterations have had to be made to all of those projects.

[``Correction: Mr. Nessi became the TAAMS project manager in November 1998. He had no role in writing the original HLIP dated July 1998.'']

But there is an HLIP plan in place right now, revised early last year, that I think is a reasonably good blueprint. It's a good blueprint and it doesn't deserve to be substantially overhauled.

Mr. Skeen. Thank you.

Mr. Kingston.

PROBATE

Mr. Kingston. Thank you, Mr. Chairman.

Ms. Blackwell testified that there were 15,000 estates that were backlogged in probate. You had said that there were, on the conversion of the historical data, you're still working on that. You also mentioned that you had some contract assistance.

In the context of some of this, Mr. Slonaker, coming from the private sector, I think as I hear this on one hand, it's

like getting the IRS to change their computer system where you just can't. It almost seems to be whole. We keep spending money and never getting anywhere. I was on the committee when we were going through this, Treasury Post Office Committee. And I think about that.

But I also think about when the Pentagon went after Y2K compliance and actually had deadlines and had accountability and subdivisions. It almost seems to me that you're somewhere in between. You have a blueprint, but it's not filled with deadlines in this contracting out assistance on the 15,000 estates. That seems to me something that possibly could be contracted out with a beginning or an end to it. I'm not certain on that, but just wanted you to respond to it.

Ms. Blackwell. I believe I mentioned 1,500 appraisals that are in preparation, are necessary before the leasing. But I would like to address the plan that you mentioned.

Mr. Kingston. I think it's 15,000 estates. I'm just looking at page four.

Ms. Blackwell. Let me address that, and I'll check the number.

[Clerk's note.--Mr. Kingston was referring to the number of estates on the issue of probate cited on page 4 of the written testimony submitted by M. Sharon Blackwell, Deputy Commissioner of Indian Affairs. The Deputy Commissioner was referring to the number of backlog appraisals cleared. The High Level Implementation Plan's Probate Sub Project is addressing the backlogs, including the use of contracted services.]

Mr. Kingston. The only reason why that caught my eye is because it would appear to me that that, some of those 15,000 you know, possibly could be divided out and contracted.

Ms. Blackwell. Yes. And that's exactly the plan that we're engaged in. The probate process as outlined in my written testimony is relatively complicated. There are backlogs in preparing the probate packages at the agencies. And there is a backlog of actually posting the results of the probate, once the estates have been completed. That is being done by contract work.

What we hope to, we don't want the backlogs to occur. So we have put our new probate program in place so that they can start taking people as they come in the door. That is outlined more carefully in the HLIP. I'd be happy to get that for you if you'd like.

Mr. Kingston. Yes, because I think as Mr. Hinchey said, you have a two-pronged attack. One is from this day forward, making sure you don't get backlogged, the other one is actually dealing with the backlog. In that backlog, though, you're using contract or whatever outsourcing tools you need to.

Ms. Blackwell. Yes.

PROBATE STAFFING

Mr. Kingston. The only reason why I mention that is we see so frequently in bureaucracies, the Department of Agriculture, there's a farm disaster and they get assistance in there to help get the money to the farmers, and then they don't want to

get rid of the employees either: they just build it as a new baseline to their budget. While it does appear that you've been underfunded on working with this problem, I think this Committee also wants to make sure that this just doesn't become the floor from a point forward.

Ms. Blackwell. I believe that our backlogs are being addressed to meet your concern. And I'll be happy to get that provision in the HLIP that describes the contract work that's being done on the backlogs in the probate area and other areas. We're mindful of that as well.

[Attached is the Probate Backlog section of the revised High Level Implementation Plan, dated February 29, 2000. Pages 42-43 specifically address the use of contracted services for the elimination of the probate backlog.]

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[GRAPHIC] [TIFF OMITTED] T1708C.021

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APPOINTMENTS

Mr. Kingston. Are you two interim? I'm confused. Are you interim, now permanent or how did--you're a political appointment?

Ms. Blackwell. No, I'm not a political appointee. I'm a career employee.

Mr. Kingston. Okay. And you were appointed in May, but President Bush has kept you on, is that correct?

Mr. Slonaker. Yes.

Mr. Kingston. Okay. So are your teams in place? You've been here 10 months, you've been here since May.

Mr. Slonaker. Yes, in my case.

Mr. Kingston. Do you feel like you have your teams in place to do everything you need to do?

Mr. Slonaker. I do.

Mr. Kingston. Do you have other political appointees under you, or appointments that you make? Are you running or you still waiting to get----

Mr. Slonaker. Speaking for my office, I'm running. But I have the good luck to have had, for example, a Principal Deputy who is Tom Thompson, sitting right behind you, who was actually the acting Special Trustee for over a year before I got here. So he's brought me up to speed pretty quickly. But the staff we have is in place, and pretty much so, and is effectively running.

CULTURAL BARRIERS

Mr. Kingston. Coming from a trust department of a bank, when you had spoken earlier to Mr. Hinchey about the cultural barriers, what did you mean by that, that you would not have in the private sector?

Mr. Slonaker. I think there is, I notice more of the resistance to change than I would have expected in similar circumstances in the private sector. But clearly, the private sector has that phenomenon too. So it's a matter of degree.

It's the small location that does business, in this case for beneficiaries, that's been accustomed to doing that business in a certain way for a long time, and there's a resistance to a change in the process. There's a resistance to the change in having part of the work done off their ground by a central system. So those are not uncommon issues in the private sector, either.

Mr. Kingston. I have to do a little preaching, Mr. Chairman. I read this article in one of the flight magazines a couple of months ago of a company that needed to go to a different kind of computer system. So he brought all his employees in and said, we are going to pretend like we're on a ship going to a destination. Our ship is actually sinking, but it's not going down quickly, but we have to start transferring everything to the other ship, and the other ship is going to be floating parallel next to us. That way it will be a very smooth transition.

He was just patting himself on the back, what a great idea this is. By the time we get to England or wherever we're going, everything's going to be fine. They got to England and found out that in the private sector, everybody had an excuse not to transfer their luggage to the next ship, so to speak, because of the resistance to change. So he said, so I came up with another idea. I just shot our ship and sunk it, and said, you'd better get on the other ship or you're dead. [Laughter.]

And found out, in that kind of a context, the resistance to change, the culture of the organization changed dramatically. And frankly, some of the people decided they were culturally unable to make the change. But those that did move over, it was a much stronger organization.

I know you don't have that kind of power in a Government agency. But I thought it was a really interesting lesson as we

deal with change in our society and in our Government, that you have to put some deadlines, you have to put some urgency in it, because if you don't, you never get there.

DEADLINES

Do you have sub-deadlines all over the place?

Mr. Slonaker. Yes.

Ms. Blackwell. Yes. Yes, we do.

Mr. Kingston. Do you feel that you're going to make those deadlines?

Ms. Blackwell. For the most part, I think we've been very successful in meeting the deadlines. We are careful, and I am particularly concerned that we not become so engrossed on meeting a deadline that we hurry a system like TAAMS, as expensive and as important as it is. But we're meeting those deadlines. A little bit of slippage from time to time, but so far nothing major.

Mr. Kingston. I think that would be one thing this Committee would be real interested in, is just seeing the deadlines met.

Mr. Skeen. Let's pass the plate.

Mr. Dicks.

Mr. Dicks. First of all I want to welcome the witnesses, and I regret that I was unable to be here at the start. We have these conflicting hearings, but I am very concerned about this issue. I want to thank Mr. Hinchey for being here.

COBELL LITIGATION--POTENTIAL FOR SETTLEMENT

Looking at the large number of unreconciled accounts, and the poor quality of the documentation currently available, some sort of negotiated settlement seems to be in the best interest of the Indian Tribes and individuals with disputed accounts. Last year, this Committee again encouraged settlement efforts and we were told that things looked promising last fall.

What happened to derail the settlement process and what are you doing now to get settlement talks back on track?

Mr. Slonaker. Yes, we had settlement talks for probably four to five months. We had, as I said earlier, two pages of points on which there was I would say substantial agreement. The process then went to the drafting of the consent decree by the Justice Department. I think it's probably appropriate for me to say in this forum, Mr. Dicks, that the process at that point broke down.

Having said that, I firmly believe there should be initiatives on both sides to resume those negotiations. I believe the Secretary feels the same way.

Mr. Dicks. So you're not objecting to try to getting--can you tell us what basically was the problem in drafting of the consent decree? What was the issue that hung things up?

Mr. Slonaker. I cannot, sir. I think you should ask the Department of Justice.

Mr. Dicks. All right. They're not represented here?

Mr. Slonaker. No, sir.

ACCOUNT RECONCILIATION

Mr. Dicks. All right. Your staff indicated to the Committee that it took \$20 million to reconcile the first five records covered by the Cobell litigation. Is this accurate? And if so, what does that say about continuing efforts to document the remaining individual Indian accounts?

Mr. Slonaker. It took a little over \$20 million, I believe was the number, for the 5 named plaintiffs plus their predecessors, a total group of, I think it was 36 individuals. What it says, sir, is that reconstructing these records is a very expensive process.

Mr. Dicks. Expensive. Congress has tried to be very generous in funding the reform project, including approval of a \$27 million emergency appropriation which we included in the fiscal year 2001 conference agreement. Do you agree that adequate levels of appropriations are not the problem?

Mr. Slonaker. I agree they are not the problem.

MANAGEMENT NEEDS

Mr. Dicks. What is the problem, then, just the difficulty of the task?

Mr. Slonaker. Management.

Mr. Dicks. I understand you took up this story that was in the Washington Post about the trust reform is slowing but surely imploding. If this isn't true, I understand you testified that that is not accurate, is that correct?

Mr. Slonaker. I agree with some of the things in that article, well, specifically Mr. Nessi's letter, which that article is alluding to, and I don't agree with some other things. It was not news to me. It was not news to the Department, I don't think.

Mr. Dicks. And your argument is that management is required to fix this problem?

Mr. Slonaker. More management resources. Funding is not the issue.

Mr. Dicks. So it's people?

Mr. Slonaker. Yes, sir.

Mr. Dicks. But sometimes you have to pay for people, too, don't you? Do you have the billets? Have they given you all the billets you need, you just can't fill them? Is that the problem?

Mr. Slonaker. I believe they've got the billets.

SUCCESS OF TAAMS

Mr. Dicks. What about the computer system, this TAAMS system, is it broken? We've had more failed computer systems before this Committee than maybe any in Congress, except for the Defense Department. Is this going to work? Is it failed or not failed?

Mr. Slonaker. There's absolutely no reason why TAAMS can't work. TAAMS has good software. TAAMS simply needs to get implemented. We need to get the project done.

Mr. Dicks. How long is that going to take?

Mr. Slonaker. What was your estimate before, Sharon?

Ms. Blackwell. My estimate is that we are still in the

design stage with some of the modules. I believe my estimate, certainly that we've reported in the HLIP, runs through 2005. That includes----

Mr. Dicks. To 2005 in order to get the computer system, the management system in place? Four fiscal years? We're in 2001 now?

Ms. Blackwell. To 2005, including data cleanup. Sir, what we've found is that over the years, there have been stand alone systems that have been developed in some of the regions. This requires us to look at data, clean it and convert it. That is, again, our intent is to put good stuff into TAAMS. That is taking, in addition to that, in addition to the cleanup, we are also anticipating that the testing, we are wedded to the idea to have the testing to be at the level so that we are comforted in turning it on in each of the regions.

And as Mr. Slonaker suggests, that has taken longer, I believe, than the Special Trustee had anticipated. But I believe that it is a careful and prudent way. We have implementation in four of the regions. We have plans throughout the remainder of this year to implement the remaining eight regions, the title portion of TAAMS. And we are in the design stage----

Mr. Dicks. This doesn't sound good to me. And I'm not an expert on this. But if it's going to take you four additional years before you have confidence in this system, and you've got these other systems that haven't been integrated, it sounds to me like you're going to have problems here, that this may not work.

Mr. Slonaker. Could I----

Mr. Dicks. There's no reason for Congress to be very confident in this operation thus far.

Sir?

TAAMS SCHEDULE

Mr. Slonaker. Let me clarify the dates a little bit. I believe the 2005 date is driven, as Sharon has just said, by data cleanup considerations. If we're talking about TAAMS, specifically, the system will be delivered, our expectation is, to Billings, which is really the Rocky Mountain Region, probably some time in the early part of June, at which point it will undergo user acceptance testing. The system at that point has every prospect of being close to becoming the system of record in that region.

Now, this is a stretched out implementation, because the plan that the folks associated with the project have, including Dom Nessi and Chet Mills, who's the Project Manager, is to introduce this in 3 waves across the 12 districts.

Mr. Dicks. Three waves?

Mr. Slonaker. In three different sets of implementations.

Ms. Blackwell. Tiers.

Mr. Slonaker. And I think it gets to the third of those in 2003, early 2003, May of 2003. But I want to leave you with one other thought. A major system like this never stops undergoing new versions----

Mr. Dicks. You're right.

Mr. Slonaker [continuing]. Revisions, more data cleanup,

more refinement, more attributes. So I think the 2003 date is probably a more meaningful date for you. I suppose the other date that's meaningful is the early summer date that I mentioned in this year.

Mr. Dicks. What will this give us, then? Will we know everything that's happened in the past and be able to track everything that's happening in the future? Or just everything in the future?

Mr. Slonaker. Basically everything in the future. It's a prospective system. Basically what the TAAMS system will do is to record all the leasing information, do all the accounts receivable for that sort of thing, pass all the transactions on to the accounting system which has been up and running for over a year. So those two in effect will be coupled together.

That will be the core of the systems of what I call this trust department.

Mr. Dicks. Thank you, Mr. Chairman.

LITIGATION EFFECTS

Mr. Skeen. Thank you. How is the litigation affecting your ability to finish this job?

Mr. Slonaker. I think we might both swing at that one.
[Laughter.]

You know, my candid opinion is the litigation has probably sparked reform, pushed it some, through the Department. But the dark side of that is that the motions practice that's going on right now between the plaintiff's attorneys and the Justice Department is, and the activities of the Special Master, who of course is part of the court, all of those activities are taking a significant amount of time from the folks who really, in the BIA as well as even in my office, who are active in either monitoring or directing trust reform. So I'm worried about it. I'm very worried about it. I've spoken twice now in the last two quarterly reports of the court.

I don't know what to do about it, other than to try to negotiate a settlement.

Mr. Skeen. They give you a problem but they don't give you any way to handle it.

Mr. Slonaker. That's right.

Mr. Skeen. Typical Government operation. Mr. Hinchey.

FORMER EMPLOYEES

Mr. Hinchey. Mr. Chairman, thank you. I just have a couple other questions that arise from the statements of BIA employees or former employees.

Ms. Infield, for example, who is described as a senior computer specialist at the BIA, said the accomplishments of putting the new titles together really don't mean very much, because the title history data are incomplete. And that even if the TAAMS system is successful, when it's up and running, it will not be clear about who gets the money, because it still will not be clear about who owns the resources, who owns the land. If you don't know who owns the land, you don't know who gets the money.

Mr. Slonaker. Mr. Maytubby may want to answer that

question.

Ms. Blackwell. I think Mr. Maytubby, who works hands-on on this, may be able to.

Mr. Hinchey. Please. You've just been the designated hitter.

Mr. Skeen. Strike one.

Mr. Maytubby. Mr. Chairman, I'm a bit of a fish out of water up here.

Mr. Skeen. We're a little low on water. [Laughter.]

Mr. Maytubby. There's plenty outside. I'm a little perplexed by Ms. Infield's comments, because the title history component of the Bureau's programs is going to be incorporated into TAAMS. So that's a little bit confusing to me.

Mr. Hinchey. So you will know who previously owned and who now owns the property?

Mr. Maytubby. That's correct. We will know who owned, who the current ownership is, and we will have a historical record of the chain of title of those tracts of land.

Mr. Hinchey. And that will be accomplished in accordance with the dates that were just discussed here a few moments ago?

Mr. Maytubby. Yes, sir.

RECORDS

Mr. Hinchey. The fact that the records are scattered among 100 field offices, and in some cases allegedly have been destroyed is not going to be an impediment to your compiling that information?

Mr. Maytubby. There's no question that it has been an impediment. I think what Ms. Blackwell has spoken to, the data cleanup effort, that is encompassed in that data cleanup effort. That is part and parcel of what the data cleanup effort is about. It's reconciling these documents that we have scattered around the country with the automated systems that we have, legacy systems that we have in place, and being able to put those, a combination, a clean record on TAAMS. That's the challenge.

TAAMS Location

Mr. Hinchey. The TAAMS system is located in Billings? Is that what you said?

Mr. Maytubby. The actual hardware of the system is located in Dallas, Texas.

Mr. Hinchey. Dallas, Texas.

Mr. Maytubby. Correct.

Mr. Hinchey. So what you're in the process of doing is going through all these 100 field offices, is that the correct number?

Mr. Slonaker. Eighty-six.

Mr. Maytubby. Eighty-six field offices, and what we're engaged in is finalization of the software by May 31st or thereabouts, to deploy in the Rocky Mountain Region up in Montana. That will be our pilot site.

Mr. Hinchey. Okay. Who's doing the software for you?

Mr. Maytubby. Artesia Applied Terravision.

Mr. Hinchey. And that will be ready on a pilot basis at

some point in the spring?

Mr. Maytubby. Yes, what we talked about, I believe Mr. Slonaker mentioned June of this year.

Mr. Hinchey. Then that will be applied on a pilot basis in the Billings site?

Mr. Maytubby. That's correct.

Mr. Hinchey. So at the Billings site, you will have compiled all the information that is relevant to that jurisdiction?

Data Cleanup

Mr. Maytubby. The data cleanup effort, as Ms. Blackwell said, we were really looking at a five-year effort with data cleanup. I think the issue is that as we bring these sites on, we're going to clean up as much of the records as we can, but we recognize that much of the cleanup can be accomplished more effectively when TAAMS is in place.

So we'll clean up as much as we can prior to TAAMS coming on-line, and then we'll look at post-cleanup.

Mr. Hinchey. You have physical pieces of paper which you are bringing into a central location to apply to the TAAMS computer operation, is that what it is?

Mr. Maytubby. It's actually automated data.

Mr. Hinchey. Okay. It's outdated automated data?

Mr. Maytubby. It resides in different systems, different legacy systems as well as some paper data. But the actual encoding of the new information will reside out at those field locations.

Mr. Hinchey. How many field locations, 86?

Mr. Maytubby. Eighty-six across the Bureau, I believe.

TAAMS Location

Mr. Hinchey. Will all the data be centralized in any way? Will there be a central location for it?

Ms. Blackwell. It will be a part of the national system, the national electronic system that is TAAMS. We are seeking, our mission is to make uniform across the BIA the ownership records and all of the realty records, and will be accessed by realty personnel in the field locations as they engage in the conveyancing and other realty activities.

Mr. Hinchey. So all of the data from all of the field offices will be accessible through Dallas?

Ms. Blackwell. At some point, all of the information will be accessible from across the Nation and the hardware is located and the software producers are located now in Dallas. That decision may be left for another time.

As it turns out, our contractor was in Dallas, Texas, and that's where our design people are temporarily living.

Mr. Hinchey. Well, the questions I'm asking may seem a little bit obscure. What I'm trying to get at essentially is this. This is a problem that has been going on for a century or more. Part of the reason why that has been true is because you had a variety of ways of dealing with this problem, depending on who was in charge at what particular location. And very little oversight from Washington or for that matter, any place

else.

I'm just concerned, I'm interested to know if this is going to be a centralized system, if there's going to be proper oversight, if you will have a policy that will be uniform across the country, or if you will have arbitrary decisions continue to be made by individual people on the scene at specific sites, one of these 86 locations, that are going to be at variance from a central policy?

TAAMS--Centralized Procedures

Ms. Blackwell. No, sir. The aim, the entire goal of this project is to make uniform the entry into the TAAMS system and to make it consistent across the country. Varying kinds of tracking systems have been developed at locations, sometimes because of the unique statutory requirements with regard to that system. And the conversion of that data is taking us some time.

But at the end of the day, and that was my 2005 recollection, at the end of the TAAMS day, we will be able, we hope, to access an Indian landowner, we'll be able to access information regarding his land holdings from a field location. That's our goal.

Mr. Hinchey. That's your goal and you think you'll be able to accomplish it.

Ms. Blackwell. I think so.

TAAMS--System Access

Mr. Hinchey. Someone in Montana interested in land holdings that were in their family, say, in South Dakota, will be able to access that information, and know where it is, what condition it's in, what the resources are and what kind of revenues have been realized from those resources over a specific period of time?

Ms. Blackwell. Yes. Someone from Montana will be able to access the interest that he or she holds in the surface of an allotment, but the minerals are held in reservation by the United States, and also the interest perhaps inherited by another relative in eastern Oklahoma. The TAAMS will tell us whether or not that person is half blood or more, because depending on those unique Federal statutes, land is only restricted for members of the Five Civilized Tribes that are half blood or more.

These are the kinds of things we're working with in order to get a uniform and consistent body of information to be available to Indians from these BIA site locations.

Mr. Skeen. We have a vote on, and I want to tell you how much we appreciate your being here. We have four votes.

I think that you've enlightened us about all we can stand.
[Laughter.]

So I think we'll entertain a motion to adjourn.

Mr. Slonaker. Thank you, Mr. Chairman.

[Questions for the record follow:]

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